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# ***Daily Report***

## ***Supplement***

# **CHINA**

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# China SUPPLEMENT

FBIS-CHI-95-113-S

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## Political & Social

### \*Beijing Cadres View Party Building Tasks

95CM0205A Beijing XUEXI YU YANJIU [STUDY AND RESEARCH] in Chinese 5 Mar 95

No 3, pp 21-24

[Article by Du Deyou (2629 1795 0603), Li Shen (2621 3833), Zhu Qianjun (4281 0356 0193), and Wu Yingui (2976 5593 2710), members of the Beijing Municipal CPC Committee: "Six Major Industry Party Committee Secretaries Discuss Basic-Level Party Organization Building (Part Two)"]

[FBIS Translated Text]"**Vigorously Improve Leadership Quality and Raise Leadership Level of Rural Party Branch Secretaries,**" by Du Deyou, secretary of the Agricultural and Industrial Committee, Beijing Municipal CPC Committee

First, get a good grip on theoretical study and carry forward the emancipation of the mind. Closely integrate the current reform and opening up in rural areas with the reality of modernization and organize party branch secretaries to conscientiously study Comrade Deng Xiaoping's theory on building socialism with Chinese characteristics. At the same time there must be conscientious study of the series of the party's principles and policies for the rural areas. Through the study of theory and other effective measures, continue to carry forward the emancipation of the minds of party members and cadres, with the focus on overcoming the conservative thinking and narrow outlook of the small-scale peasant economy and on strengthening the spirit of daring and confidence in industry's great cause and in effecting modernization; and overcome the traditional concepts formed under the natural economy system and the planned economy system, strengthen market concepts, and understand the laws of the market economy.

Second, augment the training dynamic and study cultural knowledge. We must integrate short-term training with systemic training, and in particular put systemic standardized training in an important position. All fairly young party branch secretaries and party committee members who have a primary or middle-school education or higher, and important leading cadres and reserve cadres of other organizations at the village level must gradually receive a polytechnic school or college education. In 1993, at the Beijing Agricultural School, the Agricultural and Industrial Commission of the municipal party committee started a "rural economic management special course" geared to village-level cadres. After three years of study while not being relieved from their regular duties, the village-level cadres obtained a formal record of polytechnic school education recognized by the State Education Commission.

In this way the difficult problem of village-level cadres receiving standardized education without being relieved from their regular duties has been solved, something that has been universally welcomed by the broad masses of rural cadres. In 1993, a total of 600 rural cadres passed school entrance examinations, and in 1994 another 600 village cadres entered school. This year good recruitment work must be continued among the rural party branch secretary and village-level reserve cadre ranks. At the same time, the municipality's counties must vigorously create conditions for selecting from among the students who have completed the course a number of comrades who will receive a college education.

Third, improve the cadre structure by selecting young cadres. With regard to those party branch secretaries and committee members whom practice has already proved to have difficulties in being competent at their posts, we must be determined to adjust them as quickly as possible and to make appropriate arrangements for their work and lives. At the same time we must boldly select to assume leading posts a number of party members whose ideological quality is good, whose educational level is high, who are young, and who have outstanding skills. Now, on the one hand, in many villages there are no better candidates for the post of party branch secretary; on the other hand, organizations from township and town level to county level are overstaffed, and the abilities of many young cadres cannot be fully displayed. Selecting and encouraging outstanding party members and organizations to return to their ancestral homes in the rural areas to become party branch secretaries or other cadres—this is an effective measure for strengthening the building of rural basic-level party branches, particularly the reorganization of reserve branches.

Fourth, strengthen ideological work and perfect the exciting mechanisms for it. A prominent problem now is that the ideological work of basic-level rural party branch secretaries and party members is weak and exciting mechanisms are not perfected—this is a problem that party committees at all levels must conscientiously study. We must, in line with the principle of integrating spiritual encouragement with material encouragement, set up an organically linked, unified complete set of exciting mechanisms that encourage belief in ideals, responsibility for objectives, advanced models, political honors, material remuneration, social insurance, as well as market competition. We must vigorously deepen the spirit of emancipating the mind and blazing new trails in reform; the spirit of valuing science and truly doing solid work; the spirit of taking the interest of the whole into account and coordinating in unity; and the spirit

of struggling arduously and selflessly "offering tribute." We must make the expanded rural basic-level cadres fully understand the major responsibilities they shoulder, be worthy of the party's expectations and the trust of the rural masses, constantly advance toward higher goals, and strive to make new contributions to the building of the new socialist rural areas.

**"Strengthen the Building of Basic-Level Party Organizations, With Stress on Doing Truly Solid Work," by Li Shen, deputy secretary of the Commerce, Trade, and Industry Commission, Beijing Municipal CPC Committee**

Building the party's basic-level organizations is a solidly based engineering project. For 12 years our commercial and trade system has done solid work, and in this solidly based engineering project it has taken six measures, obtaining certain results and also accumulating some experiences.

The six measures are:

1. Constantly improve ideological understanding. This includes both the understanding by party and government leaders and by the members of the basic-level party branches and all party members. Only when a common understanding by the entire party from top to bottom is obtained on the importance of basic-level party branch building can the branch's role as a fighting bastion be fully displayed and can the party member vanguard exemplary role be displayed.

2. Foster and set up advanced models. Over the past two years the commercial and trade system has set up many advanced models. So that their calls will be clear and they will be planted solidly, and thus have a mass foundation, we adopted ways and means for selecting them through public appraisal at all levels for conscientious examination and final determination to publicize their deeds, and prevented a situation in which, after being appraised and commended, the advanced models no longer "bore interest." On the other hand, we adopted the method of tracking and examining, at regular intervals finding out their performance, being concerned about their maturation, and helping them to solve real problems. This is a way of encouraging and supervising advanced models and prevents them from running their course.

3. In organization, create conditions for party branches to play their role. Like the Xidan Market, in all commodity departments there is a party branch secretary and also a first assistant manager, and they have both responsibility and authority. When the manager is absent, the branch secretary handles everything; when the manager is present, the secretary is also a main

player, and it is his prerogative to take part in economic activities. This is advantageous to closely integrating party work with the department's professional work and is advantageous to understanding situations; it also helps in clearly doing ideological work with regard to party members and the masses in order to solve real problems.

4. Enhance the management education of party members. Building a party branch well is absolutely not just a matter for members of the party branch. Only if all party members play their vanguard exemplary roles can the party branch become a strong fighting bastion. Therefore, we must conscientiously, regularly, and in a focused manner, conduct well party member management education. The party branch of the Management Office of the Beijing Tobacco Monopoly Bureau, focusing on the trade characteristics of tobacco management, constantly enhances the management education of party members. It successfully educates party members in observing discipline and obeying the law, and in "sounding the alarm bell for a long period of time." For several years there has not occurred a single case of using the power of office to seek private gain and of engaging in favoritism and fraudulent practices.

5. Conscientiously get a good grip on the work of rectifying backward party branches. At the end of every year, we analyze and rank all the branches and make the backward branches at the end of the line the key objects of the next year's rectification. At the beginning of 1994, the main leaders of the Commerce, Trade, and Industry Commission led a team that carried out a thorough investigation and study of eight backward party branches. The team interviewed more than 100 cadres, staff, and workers, and took timely effective measures. It not only promoted changes in these eight backward party branches, but also promoted the work of rectifying backward party branches by the entire system.

6. Get a good grip on building the ranks of party branch secretaries. Over the past two years we have successfully trained a number of young party members to move, one after another, into the post of branch secretary, thereby replenishing the branch secretary ranks. In line with the demands of the "three-year program outline" for enhancing party building, which was formulated by the fifth plenary session of the Seventh Municipal CPC Committee, we will continue to do this work well. Those who are assuming the post of branch secretary for the first time must undergo training first; those who have already assumed the post but who have not yet undergone the training must make up the training within one year.

**"Get a Good Grip on Transforming Ordinary Party Branches," by Zhu Quanjun, deputy**

**secretary of the Education Work Department,  
Beijing Municipal CPC Committee**

I think the focus of effort in transforming ordinary party branches should be put on the following aspects: First, we must further clarify the guiding ideology for building basic-level party branches in higher schools and improve the content of activities and the methods of doing this work. The work of basic-level party branches in higher schools definitely centers closely on the fundamental tasks and central work of higher schools—this is the guiding ideology for enhancing the basic-level party branches in them. Specifically, we must comprehensively implement the party's basic line and education policy, closely center on cultivating talented persons—this being a basic task—and, in completing teaching, research, and other central work of schools, strengthen party building, by focusing on achieving reform and promoting development and stability in order to comprehensively promote branch building. Proceeding from this guiding ideology, we must strive to improve party branch activity content and work style. The experiences of some party branches prove that, with regard to the branch role as political nucleus and fighting bastion, only through ensuring, supervising, and taking part in administrative work on technological and scientific research will policy decisions be made on major issues. In the ordinary party branches, it is precisely on this fundamental issue that deviations and errors have appeared. Some of them only take charge of political studies and student activities, and very few of them take part in administrative and professional work; and some of them cannot integrate the new situation with the core work for students and vigorously initiate this work. Therefore, to change the state of ordinary branches we must, starting with changes in the guiding ideology, conscientiously improve the activity content and the work style. This is the fundamental point in changing ordinary branches.

Next, we must strive to build branch leading groups well, and in particular we must select and cultivate people who can take the lead as branch secretaries. We must select comrades whose political quality is good, whose professional level is high, whose work style is upright, who love party work, who have the spirit of "offering tribute," and who have the trust of the masses, and have them assume posts as branch secretaries. We must unremittingly grasp well the training of branch secretaries, and every year have at least one period of rotational training and provide on-site training for newly appointed party branch secretaries. At present we must make improving the political quality of basic-level party branch secretaries the focus of training. If the political quality of branch secretaries is not improved, and if

their ideas and concepts are not replaced, it will be difficult to change ordinary branches. We must adjust the secretaries of party branches to work which has for a long time been ordinary. We must make the building of basic-level party branches and of administrative basic-level organizations tasks to perform as a whole, solve well the problem of joint branch installation of trans-administrative and trans-professional units, set up party branches as fast as possible in line with administrative and professional units, and build party branches in teaching and research sections as fast as possible.

Third, we must set up an evaluation system for basic-level party branches and perfect exciting mechanisms. With regard to innovation in the leadership system in basic-level party branches, a very important point is to apply management methods, changing soft restraint to hard restraint, changing elasticity to steeliness, and changing empty accomplishments to solid work. The setting up of an evaluation system for party branches is to be made part of the reform of the internal management system of higher schools. We must make the actual results of educational reform and scientific research on teaching the main criteria for evaluating the work of party branches. Evaluation criteria must be finely drawn. The inspection and evaluation system must be operable, and as much as possible quantified, and it must have features that enhance party building. In December 1989, the Education Work Commission formulated "trial regulations on the work of higher school basic-level party organizations," and it recently revised them into "detailed rules and regulations on the work of Beijing higher school basic-level party organizations." Among these rules are specific stipulations on the duties and responsibilities of higher school party branches which lay a foundation for setting up an evaluation system for party branches. Only by stipulating the goals and objective criteria of branch work can we make this work standardized, systematic, and scientific, and make the branch leading groups clearly discern their own position and play an encouraging role.

**"During the Deepening of Enterprise Reform Give Play to the Political Nucleus Role of Party Organizations," by Wu Yingui, secretary of the Economic and Trade Work Commission, Beijing Municipal CPC Committee**

Through practice we feel that for the party organizations to fully play their role as political nuclei in the process of promoting enterprise reform, stress must be laid on doing good work in five areas:

1. Guide public opinion, thought, and policy. Efforts must be concentrated on the three words "explain, dredge, stimulate." "Explain" means the vigorous, com-



prehensive, and accurate publicizing of party and state principles and policies on deepening enterprise reform and establishing a modern enterprise system and the publicizing of the goals and important measures in the reform of economic and trade enterprises, so that the cadres, staff, and workers better understand enterprise reform appearance of new problems, analysis of contradictions, resolving of contradictions, and adoption of many forms to resolve contradictions, and the maintaining of the stability of the ranks. [sentence as published] "Stimulate" means, through discussing the situation and tasks, publishing achievements, and setting examples, to arouse the enthusiasm and creativity of the cadres, staff, and workers. Through explaining, dredging, and stimulating, the "six new" concepts will be established: getting a clear understanding of the new situation, adapting to the new environment, solving new problems, grasping new opportunities, exploring new ways, and learning new methods.

2. Get a grip on the adjustment of organizational standards and the selection of leading groups. To uphold the principle of the party managing the cadres, first, the enterprise leading group must be designed well, and, based on the reality of the enterprise, the scope of the functions and powers of its board of directors, board of supervisors, and administrative groups must be defined by law, with good coordination of the relationships among the three, so that the enterprises leadership system truly reflects the party Central Committee demands in its "three sentences" concerning enterprise leadership. Second, we must select well the leading group and optimize its structures, particularly selecting its party and government members, so that leading groups at all levels truly have a fairly strong capability for leadership and a fairly high level of skills in leadership.

3. Get a grip on the role of party organizations in guaranteeing supervision. First, we must, in accordance with the demand for establishing a socialist market economy system, ensure the smooth supervision of changing enterprise operating mechanisms, check on the fixing of the changing mechanisms plan, check on choice of ways of operating, check on the evaluation of state-owned assets, check on the appointment of middle-level cadres, etc. Second, we must, in line with state laws, decrees, principles, and policies, supervise the direction of enterprise operations to prevent irregular or illegal operations. Third, in line with the demand for establishing a modern enterprise system, we must ensure the healthy, orderly movement of enterprise leadership. Fourth, in accordance with the characteristics of all types of enterprises, we must supervise thorough implementation of all systems of rules and regulations. Fifth, we must supervise and guarantee the macroeconomic regulation

and control measures of the government and the high-level department in charge.

4. Get a grip on party organization participation in decisionmaking on important issues. The participation by enterprise party organizations in decisionmaking on important enterprise issues is an important duty bestowed upon party organizations by the party charter. Enterprise party organizations must vigorously take part in decisionmaking on enterprise determination of the plan for changing mechanisms and operation, determination of the goals of development and the development of operations, determination of significant items of technological transformation and items of investment, appointment of enterprise deputies and middle-level cadres, distribution of enterprise interests and the welfare and remuneration of staff and workers, and other issues. We must strive to open wide the ways of and means for participating in decisionmaking and must not rigidly adhere to a certain method or a certain pattern. Staff and workers should by many forms participate in decisionmaking, constantly opening means and channels.

5. Get a grip on the building of party affairs contingents. During the establishment of a modern enterprise system, we must enhance and improve the leadership of the party affairs contingents, and, in line with the principle of being highly trained and highly effective, ensure the synchronous establishment of party organizations, the synchronous selection of party and government cadres, and the synchronous setting up of work organizations. We must enhance the management education of party affairs cadres, and adopt many forms to give them a free hand to be tempered in the practice of establishing a modern enterprise system, thus constantly improving the political and professional quality of party affairs cadres.

#### **\*Propaganda Official Discusses Theoretical Studies**

95CM0232A Beijing SIXIANG ZHENGZHI  
GONGZUO YANJIU [RESEARCH IN  
IDEOLOGICAL-POLITICAL WORK] in Chinese  
8 Mar 95 No 3, pp 4-7, 29

[Speech by Zheng Bijiang (6774 1801 1017), deputy head of the CPC CC Propaganda Department Standing Committee, to the National Conference of Propaganda Department Heads; place and date not given: "On Theoretical Work for 1995"]

#### **[FBIS Translated Text] A Major Upsurge of Theoretical Studies Is Sweeping the Country**

In the year or so between the publication of *Selected Works of Deng Xiaoping*, Vol 3 in November 1993 and the publication of the revised editions of *Selected Works*

of *Deng Xiaoping*, Vol 1 and 2 in November 1994, a matter of extreme importance has occurred in the party's political life: The entire party's leading cadres above county-level, starting with the party Central Committee and with high-ranking leading cadres taking the lead, were swept up in the fervor to study *Selected Works of Deng Xiaoping* and the theory of constructing socialism with Chinese characteristics, and this upsurge is still widening and deepening in scope.

I believe the start and the spread of this upsurge of theoretical studies were marked by several events:

The first event was the public meeting held by the party Central Committee specifically to announce the publication of Vol 3. General Secretary Jiang Zemin delivered a major report, and the CPCCC made an important decision on studying this scientific piece of work. The revised editions of Vols 1 and 2 were published recently, so that all three volumes are now available, providing us with the most complete and best teaching material.

The second event was the ceremony commemorating Comrade Mao Zedong's 100th birthday during which Comrade Jiang Zemin made an important speech. The commemoration expounded on Mao Zedong thoughts and deepened our understanding of Deng Xiaoping's theory of constructing socialism with Chinese characteristics.

The third event was marked by direct involvement of the Standing Committee of the Politburo in holding four sessions for leading cadres at the provincial department level to study Vol 3. That spurred on the whole party, and today, all cadres above county department level have basically gone through training, and theory study centers for party committees above county level are gradually being formed.

The fourth event was the party's National Propaganda Ideological Work Meeting convened by the CPCCC at the beginning of the year during which General Secretary Jiang Zemin suggested that the launching of the four people-nurturing projects—arming the people with scientific theories, guiding the people with correct opinions, molding the people with lofty spirit, and encouraging the people with superior work—under the guidance of the theory of constructing socialism with Chinese characteristics has posed new and even more systematic demands on theoretical studies, research, and propaganda.

The fifth event was the CPCCC's approval of the setting up of five bases to study the theory of constructing socialism with Chinese characteristics by the CPCCC Party School, the State Education Commission, the Chi-

nese Academy of Social Science, the People's Liberation Army National Defense College, and the Shanghai Social Sciences Academy. The CPCCC Propaganda Department hosted a meeting to exchange ideas on base work during which Comrade Ding Guangen made an important speech. Spurred by this measure, the localities have set up research centers, societies, and institutes to study the theory of constructing socialism with Chinese characteristics.

The sixth event was marked by the Fourth Plenary Session of the 14th CPC Central Committee's emphasizing giving top priority to ideological construction while strengthening organization. It asked that party study of the theory of constructing socialism with Chinese characteristics be pushed to new depth and breadth, and it also made an important plan to spend three years to organize the entire party to study theories and party constitution, in a planned and systematic way.

The seventh event was the "Symposium on Studying *Selected Works of Deng Xiaoping* and the Theory of Constructing Socialism With Chinese Characteristics" held recently with the Central Committee's approval. It reviewed the nation's study results, and Comrade Hu Jintao of the CPC Politburo Standing Committee delivered a major speech to further clarify the direction and the need to take the study, research, and propaganda of the theory of constructing socialism with Chinese characteristics to great depth.

These seven events were decided by the Central Committee; they were approved if not directly sponsored by the Central Committee. There were many other activities organized by various departments of the Central Committee to arm the party with Deng Xiaoping's theory of constructing socialism with Chinese characteristics. We will not go into those here. It just proves that the Central Committee is very serious about its direct involvement in theoretical work. In particular, in the last year or so, Comrade Jiang Zemin has made many major speeches and has delivered important instructions on guiding ideologies, general and specific policies, key demands, and the depth and direction of the party's theoretical work. Therefore, just as Comrade Hu Jintao pointed out in his recent speech: "Because of the Central Committee's firm and forceful grip, party committees at all levels and pertinent departments have worked successfully; the theoretical study, research, and propaganda have been gratifying, and the overall situation is very good."

The CPC, which has 54 million members, is the world's largest communist party. While we are devoted to unifying and leading the people of all nationalities in the country to undertake the magnificent tasks of reform, opening up, and socialist modernization, we are also



diligently using theories as armor and arming ourselves with Deng Xiaoping's theory of constructing socialism with Chinese characteristics. I believe that this is indeed an encouraging and invigorating sign. In just over a year, or even if we go back a little further and say that in just a little over two years, since the important speech delivered by Comrade Deng Xiaoping during his 1992 southern tour and since the 14th National Party Congress, those within the party and without and those in high places and low have made great strides and have attained an unprecedented level of understanding not only of the big picture of contemporary Chinese development but also of contemporary Chinese Marxist theory. This is the mainstream. History will prove that this progress is extremely important.

#### **Abrupt Turns of Historical Events Will Always Be Reflected in the People's Thinking**

Of course, the upsurge of theoretical studies is but a recent event, and we should not overestimate its breadth or depth. Just as Comrade Hu Jintao pointed out, we must make a sober assessment and be relentless, and while we push on in breadth, we should also emphasize greater depth.

As we just said, in the year or so since the publication of Vol 3, or in the two years or so since Comrade Deng Xiaoping's important South China tour speech and the 14th National Party Congress of 1992, the entire party and the masses have made unprecedented progress in gaining new understanding. This is the mainstream and is a fact. This is one aspect, but meanwhile, there are various ideological, cognitive, and theoretical problems. That is also a fact and is another aspect.

People have always had ideological problems; today is no exception. If we sum them up, all of today's major, principle-related problems have to do with the "two whats"—what to make of China's development today, and what to make of China's Marxism today? As the situation changes, and in particular, as this and that conflict or problem arises, some cognitive issues which we thought we had already resolved are surfacing again; there will be new focal points, hot points, and queries. Ultimately, they reflect unspecified worries and concerns about the development of the overall situation and failure to understand certain aspects of contemporary Chinese Marxism.

This should surprise no one, because we are at a great historical turning point. This great historical turning point is known as socialist reform and opening up and modernization; it is called the second revolution, a breakthrough to a new socialist undertaking, which includes the establishment of an unprecedented socialist market economic system. The mainstream and tribu-

taries of this great turn of events, its obverse and reverse, and its achievement and problem will be reflected in the people's ideologies and will bring different responses. Therefore, the question of the "two whats" is repeatedly and continuously being asked in different ways, and no one should be surprised. Can we say that this is a recurring phenomenon over time?

We should also see that the recurring question of the "two whats" not only reflects the permanent and complicated nature of China's socialist modernization, it also reflects the permanent and complicated nature of the people's world outlook given China's unique social, historical, and cultural background and today's clashing world cultures. This is not a simple question! First, with respect to China's unique social, historical, and cultural background, it includes the historical and cultural background of several thousand years of feudal society and its profound effects in many areas; it includes the historical and cultural background of almost a century of abrupt changes in a half-colonial and half-feudal society and its profound effects on different areas; it also includes the Chinese people's great revolution in recent history and the experiences and lessons gathered and learned along the tortuous road of socialist construction since the founding of the PRC and their many profound effects. Second, with respect to the contemporary world's clashing cultures, similarly, they include complicated, crisscrossing social, historical, and cultural backgrounds and their many profound effects; they are a mishmash of ideas, and while some are fruits of advanced civilization that must be boldly assimilated, others are "Westernized" and "spin-off" stuff which we must deal with sobermindedly. Moreover, all these things are happening under new conditions, amid the still ascending information revolution. In view of the aforementioned socio-cultural background, it is only natural that people's world outlook are long-termed and complicated issues that can only be resolved gradually through practice, study, more practice, and further study. If the recurrence of the question of the "two whats" is a natural law, then I am afraid that this kind of practice and study and more practice and further study is also a natural law.

I believe the essence of the question was raised by Comrade Mao Zedong in the great historical essay, "On People's Democratic Dictatorship," written on the eve of the founding of the nation, when he asked what universal outlook should be used to observe the country's destiny. Today, we arm the whole party with theories. In essence this means we must go through constant and ever-deepening theoretical studies and research, go through long-term and repeated practice and studies and more practice and further studies, so

that an increasing number of people, including ourselves and the younger generation in particular, can even more consciously utilize Marxism, Leninism, Mao Zedong thought, and especially Deng Xiaoping's theory of constructing socialism with Chinese characteristics—contemporary Chinese Marxism—as tools for observing modern China's destiny. This is the permanent arduous nature of our task of arming ourselves with theories as we understand it.

At this point, I ask my comrades to read Comrade Mao Zedong's important report on rectifying the three tendencies delivered at the Yanan CPCCC study group meeting on 20 April 1942. In that report, Mao said that the educational work launched in Yanan was very important, and once Yanan's cadres were properly educated, and after they learned something, "we will be strong internally; our cadres will be elevated, and then we will have the ability to welcome tomorrow's world, which will be bright, and we will seize this new, bright world." He said that otherwise, "one man may perceive Marxism this way, and another man may perceive Marxism that way," and there would be no unity in thinking, no unity in action. He also said: "The Kuomintang says that we are changing our style and rectifying and strengthening ourselves internally, and they are perfectly correct. For today's sake, we must do that; for tomorrow's sake, we must also do that." He said: "To deal with darkness, we must strengthen education; to welcome brightness, we also must strengthen education; no matter what, we must strengthen education." He also called this kind of education of the whole party, which the Central Committee conducted with vigorous effort and which had to do with making Marxism China's own product, "ideological preparation" for receiving the light. Historical conditions have changed dramatically since then, but in the sense of making "ideological preparation" to welcome the new, great victory and to accept all possible risks and tests, is not that what we are doing today, when the entire party is studying the theory of constructing socialism with Chinese characteristics?

#### **The Key Lies in Wrapping Tightly Around the Foremost Basic Theoretical Issue and Seizing the Theory's Scientific System**

How do we bring this upsurge of theoretical studies to great depth?

Comrade Jiang Zemin made an important speech marking the publication of Vol 3. Comrade Deng Xiaoping repeatedly urged us to "first figure out what socialism is and how to construct it," and Jiang called that the "foremost basic theoretical issue" which cuts through

the theory of constructing socialism with Chinese characteristics. That set the theme.

This year, Comrade Jiang Zemin is again emphasizing in his many speeches that theoretical studies must continue to give expression to the spirit of liberated thinking and seeking truth from facts; they must emphasize reality and the party's overall tasks and grasp the scientific system of the theory. That defines the method.

I believe that the theme and method pointed out by Comrade Jiang Zemin set the clear direction for how we can bring theoretical studies to great depth.

It was exactly with this clear direction in mind that, with the Central Committee's approval, the CPCCC Propaganda Department has compiled the *Outline on Studying Comrade Deng Xiaoping's Theory of Constructing Socialism with Chinese Characteristics*. It was an important task for the CPCCC Propaganda Department in 1993-1994 and was an important measure in carrying out the task of arming the party with the theory of constructing socialism with Chinese characteristics as urged by the CPC at the 14th National People's Congress. Comrade Ding Guangen attached great importance to the compilation of the *Theoretical Outline*. He had specific demands regarding the guiding ideology, organization of the work groups, the principles and methods of writing, and so on. The Propaganda Department also discussed the matter on several occasions. In the process, six visits were made to more than 260 provincial department leading comrades, propaganda department heads in charge of theoretical work of the provincial, prefectural, and municipal party committees, heads of the five theoretical study bases, and some experts and scholars; they went through 12 drafts. Today, the Propaganda Department's Ideological Work Leading Small Group has finished checking and discussing the *Theoretical Outline* and has formally submitted it to the Central Committee. If approved, it will be published as study material for *Selected Works of Deng Xiaoping* and the theory of constructing socialism with Chinese characteristics. It will be distributed to leading cadres at the county department and higher levels and will be available to the masses of cadres and the general public.

The *Theoretical Outline* consists of more than 60,000 words and 100 article and is divided into three parts. The first part is "Deng Xiaoping's Theory of Constructing Socialism with Chinese Characteristics is Contemporary Chinese Marxism"; the second part is "The Substance of the Scientific System of Deng Xiaoping's Theory of Constructing Socialism with Chinese Characteristics"; the third part is "Using Deng Xiaoping's Theory of Constructing Socialism with Chinese Characteristics To Arm the Party and Uphold the Party's Basic Line for

a Century Without Ever Budging." The main body is in the second part, which spends 16 chapters to explain the substance of the scientific system of the theory of constructing socialism with Chinese characteristics. These 16 chapters are based on nine articles of summation by the 14th National Party Congress which are elaborated to make the exposition easier. The *Theoretical Outline* concentrates on giving comprehensive and precise expression to the original ideas of *Selected Works of Deng Xiaoping*. The heading of each chapter is a direct quote from Comrade Deng Xiaoping. The explanations strictly follow the original idea of Comrade Deng Xiaoping's work. His original words are quoted wherever possible. At the same time, it also utilizes some important Central Committee documents since the Third Plenary Session of the 11th Party Central Committee and Comrade Jiang Zemin's important theses.

At the general session of the National Propaganda Ideological Work Meeting held in January 1994, I said that the reason the CPCCC Propaganda Department compiled the *Theoretical Outline* was to "coordinate the reading and studying of the original text to help everybody grasp the scientific system of Deng Xiaoping's theory of constructing socialism with Chinese characteristics." Here I want to reiterate the importance of upholding the general principle of studying the original text. Leading cadres at all levels in particular must diligently study *Selected Works of Deng Xiaoping*, Vols 2 and 3, which lay the foundation for the theory of constructing socialism with Chinese characteristics, and the *Theoretical Outline* is a study aid that helps us understand the *Selected Works* and his theory.

After study, we will increasingly understand that Deng Xiaoping's theory is a scientific system, because with this theory, he has resolved two fundamental theoretical issues: First, he has re-established and further developed the party's ideology and line; second, he has provided a scientific and fairly systematic answer to the foremost basic theoretical question, "what is socialism and how do we construct it?" These fundamental questions are interrelated. The liberation of ideas in the new era ultimately revolves around the question of "what is socialism and how do we construct it?"

It is all very clear. On the question of whether we should uphold the basic socialist system, Comrade Deng Xiaoping has never said that there was anything "unclear" about it. He has always emphasized that we must uphold the socialist system without budging. This was centrally reflected in the famous "Four Basic Principles," which were established right at the beginning of the new era. The "Four Basic Principles" were first brought out as ideological and political principles, but from the point of their real substance, they clearly sum up the basic

system of socialism in its economic, political, and ideological aspects. It was for that reason our party called the "Four Basic Principles" the "basis of the nation." Then, what is the problem? In May 1980, Comrade Deng Xiaoping pointed out: "Socialism is a very good name, but if not handled properly, if not understood correctly, if the right policies are not implemented, we cannot give expression to the essence of socialism." He pointed out the three "nots" here: "Not handled properly" means improper practice; "not understood correctly" means incorrect theory; "not implementing the right policies" means wrong policies (later referred to as systems). The three "nots" boil down to a single "not"—"not giving expression to the essence of socialism." This is indeed concise and comprehensive. But its unique profoundness lies in the fact that for the very first time in the history of Marxism, it sharply points out a critical historical lesson which has long been neglected: The fact that we have set up a basic socialist system does not mean that we truly understand it; it does not mean that problems will solve themselves; it does not mean that the essence of socialism will automatically be manifested. If not done right, things can turn out wrong. Comrade Deng Xiaoping asked the question and understood the issue, and by doing so, he not only drew a clear line of demarcation with the erroneous tendency to use the complication of the socialist movement as an excuse to radically refute the basic principles and system of scientific socialism, but also drew a clear line of demarcation with the erroneous tendency to rigidly adhere to certain theories and specific models that no longer suited the country's situation or the times and neglected the essence of socialism. Only in this way can we start out from the stance of upholding and also developing socialism, upholding and also developing the public ownership system and, in the most basic sense, propose the historical task of socialist reform and in turn formulate a series of scientific concepts and design a strategic pattern. The basic line of "one center and two basic points" is the reflection of the fundamental law of development of Chinese socialism and is the way to develop socialism with Chinese characteristics once we grasp the essence of socialism in a scientific and practical way.

Everybody will learn in a profound way from his own experience that if not for Comrade Deng Xiaoping—who, on the basis of upholding the socialist basic system, took a further step and posed the basic theoretical question of what was socialism and how to construct socialism, and, in turn, led the whole party to gradually recognize the essence of socialism—there would not be the theoretical or political courage to launch socialist reform, and we would not have the new situation that has unfolded since the Third Plenary Session of the 11th Party Central Committee.



In short, we have extracted the essence of the foremost basic theoretical question, and we have a firm grip on it. And we have firmly and resolutely linked it to practice and pressed on in depth and breadth, making it the starting point of party reconsideration of modern China's basic question and the tool for observing modern China's destiny. Because of that, Chinese socialism has taken on a completely new outlook.

Thus, the key to taking our studies to greater depth is to tightly revolve around the foremost basic theoretical question of what is socialism and how to construct socialism and to grasp the scientific system of this theory. Just as Comrade Jiang Zemin pointed out sharply: "History and reality repeatedly tell us that the deviations and mistakes of China's socialism prior to reform and opening up ultimately were attributable to our failure to figure out this question. Some of the doubts and puzzles we have encountered since reform and opening up ultimately were also attributed to the fact that we have not completely figured out this question." This hits the nail in the head. I believe that so long as we insist on liberating ideas, seek truth from facts, and adhere to reality and the overall situation, our studies will cover rich topics and our knowledge will forever be renewed.

#### **Integrate Study, Research, and Propaganda Properly and Promote the Theoretical Work of 1995**

The general requirement of theoretical work for 1995 is to continue to carry through the Central Committee's work spirit and the spirit of the National Propaganda Work Conference, make Comrade Deng Xiaoping's theory of constructing socialism with Chinese characteristics the basic direction, revolve tightly around the strategic task of arming the party with and educating the people about this theory, strengthen leadership, work meticulously on organization, do practical work, and bring theoretical studies, research, and propaganda to new depth and breadth.

Here we should stress one point: We must do an even better job of integrating theoretical study, research, and propaganda. Experiences have repeatedly proved that if we do not consciously integrate the three, the situation will be very different and the results will be very different. This year, we hope to work harder in this area and accomplish the following important tasks:

One, we should continue to focus and work hard on the theoretical studies of leading cadres. At the "Symposium to Study *Selected Works of Deng Xiaoping* and the Theory of Constructing Socialism With Chinese Characteristics," Comrade Hu Jintao pointed out that "arming the whole party with Comrade Deng Xiaoping's theory is the overall task. The key is to continue to

work on the training of leading cadres above county level in this and on the lessons of the party committee central groups at all levels." Acting in this spirit, we should make the *Outline for Studying Comrade Deng Xiaoping's Theory of Constructing Socialism with Chinese Characteristics* the study-aid to *Selected Works of Deng Xiaoping* for leading cadres above county department levels. We also plan to join the Central Committee's Organizational Department to convene a party committee central study groups experience-exchanging meeting at the provincial department level.

Two, we should strengthen construction of the five bases for theoretical studies and further give play to their mainstay and leadership roles. We plan to help the five bases to further conduct studies of important topics and hold a systematic series of symposiums on special topics. We should revolve around the basic theoretical issue, integrate today's construction of a socialist market economic system and the construction of the two civilizations, and link up with the goal of making the people relatively well-off by the end of the century. At the same time, we want to focus on certain difficult and hot points in people's practical thinking, conduct in-depth studies and probes, and strive to produce some high quality study results. In addition, we should consider developing research bases in the more qualified localities to set a proper pattern and vigorously promote more theoretical research work.

Three, we should intensify theoretical propaganda in newspapers, on the radio, and on television. This issue was originally brought out by Comrade Hu Jintao in his speech delivered at a symposium. The "Minutes" of the CPCCC Propaganda Department's Theory Propaganda Work Symposium handed down last year urged the localities to continue this task. We should strive to do a better job with newspaper theory pages and theoretical publications as well as with radio programs on theory. In particular, it should be mentioned here that we must work hard to make new breakthroughs in theoretical propaganda on television this year. Among the many media for propaganda, television has the greatest mass appeal and is the most influential. I believe that it will play a very important role in theoretical propaganda. Work in this area has only just begun, and it is by no means easy. This year, we plan to join the Ministry of Radio and Television to hold a televised theory propaganda symposium to launch a thorough discussion to see if we can blaze a new trail. At the same time, we are also considering working with the Ministry of Radio and Television to produce a television series based on the *Theoretical Outline* as a way to explain the profound in simple terms and propagate the scientific system of

constructing socialism with Chinese characteristics with animated images.

Four, we should study and review the experience of our widening efforts to arm ourselves with theory. In accordance with the Central Committee's plans, this is the first time we have gathered party members to conduct theoretical studies. For this reason, we plan to get together with everybody to review the experiences of those leading groups that have done a better job in organizing or integrating study, research, and propaganda, or solving practical problems. We hope to hold a work symposium on "arming the people with theory" at the end of the year.

Five, we should strengthen construction of a contingent of theoreticians, and in particular, we should nurture young, cross-century theoreticians. This is a very important and urgent task which was started last year and already has a good beginning. Today, we need to further heighten our understanding and work even harder. Through surveys and studies, we should build stronger opinion about constructing a contingent of young theoreticians and strive to solve practical problems with regard to policies and conditions. At the same time, we should continue to hold training classes, and so on, and do more practical work.

Six, we should formulate a "Ninth Five-Year Plan" for philosophy and social science studies and improve social science programs and fund management during the "Ninth Five-Year Plan" period. The social science program and the state social science fund play a very important role in promoting the development of China's social science research undertakings and the construction of a research contingent. In the last two years, we have conducted surveys and studies and listened to the ideas of relevant parties, and we have made improvements to our work during 1994, added some important research projects, and set up assessment experiments at the local and national levels. But these are just the beginning, and we must propose practical and effective improvements and reform programs with regard to social science programs and fund management as new situations emerge. In addition, the formulation of the "Ninth Five-Year Plan" social science research program has been put on the agenda. This is a major event, and we should emphasize studying Deng Xiaoping's theory of constructing socialism with Chinese characteristics and use it as a guide to strengthen the study of important practical issues regarding the construction of socialism with Chinese characteristics. At the same time, we should strengthen basic theoretical studies of various disciplines and accelerate development of study of burgeoning quasi- and overlapping sciences. At the proper

time, we should convene a "Ninth Five-Year" social science program work conference.

Finally, I want to emphasize that when we undertake the above tasks, we must have a very clear idea of the overall situation. Our theoretical work must focus on one point, and that is to be very conscious about serving the party's and the nation's efforts to "seize the opportunity, deepen reform, further open up, promote development, and maintain stability" from the great depth of using theories as armor and achieving unity in thinking and from the great depth of seizing the objective law to facilitate the practice of socialist construction and bringing progress to people's world outlook. At the recent economic work conference, Comrade Jiang Zemin pointed out that the overall work situation of the party and the nation gives full expression to the party's basic line of "one center and two basic points." It sums up succinctly the basic content of the party's work henceforth and is in line with Comrade Deng Xiaoping's South China speech of early 1992 and the spirit of the 14th National Party Congress. Therefore, our theoretical work must revolve around this overall situation and never stray from it, not just for today but for a long time to come. Our work must facilitate this overall situation, not jeopardize it. This is a basic concept we must never forget and is also a guiding principle that guarantees accomplishment of the party's theoretical work.

#### **\*Zhu Jiaming Discusses Prominent Reform Intellectuals (Part I)**

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[Interview with Zhu Jiaming (2612 0857 2494) by Ku Hsin (7357 2500), research assistant at the Leiden University Sinology Studies Institute; 9-14 June 1994 in Leiden, the Netherlands: "Zhao Ziyang's Young and Middle-Aged Brain Trust and China's Decade of Economic Reform (1979-1989)"]

[FBIS Translated Text] Editor's note: With China's economic growth in recent years being the focus of world attention, we need to remember its source and not forget the pioneering movers of the first decade of reform and opening. In addition to the highest policymakers, a large number of young and middle-aged intellectuals once played an undeniable role in it, with this group of so-called "intellectuals within the system" also being called Zhao Ziyang's young and middle-aged "brain trust." This article is an interview with one of its key figures, Mr. Zhu Jiaming, which will be serialized in MING PAO YUE-KAN, and which will disclose



much new data "as reference material" on the course of Chinese reform. [end editor's note]

### **The Role Played by Young and Middle-Aged Intellectuals in China's Decade of Economic Reform**

*[Ku] Mr. Zhu Jiaming, you were a quite influential member of Zhao Ziyang's brain trust, having taken a direct or indirect part in most of the actions engaged in by those intellectuals within the system. We would like to ask you in this interview to discuss the role played by young and middle-aged intellectuals in China's decade of economic reform from the perspective of your personal experiences and impressions.*

**[Zhu]** Thank you. I am very pleased to have this opportunity to recount that history, even if only from my personal perspective. I would note that recording that history will be quite interesting and significant. Those experiences of young and middle-aged intellectuals could be called a profile of the huge changes that have occurred in overall Chinese politics and society.

After "4 June," while I had planned for a time to write a book called *China's Reform Brain Trust*, I never actually got around to writing it due to a number of reasons. But as to the history of that decade of reform, as well as the role played in it by intellectuals, I have roughly noted several matters. Western Sinologists have gradually evolved the fundamental view that in China, at least during the time of Hu Yaobang and Zhao Ziyang, young and middle-aged intellectuals played a crucial role in China's economic reform. But I hold that up to now, there are still no works or articles that recount that history clearly.

Essentially, there are three misconceptions about that history: 1) Most hold that while young and middle-aged intellectuals played a great role, their role was far less that of the older generation of economists, so that most of the literature still usually refers to the ideas and views of those such as Ma Hong, Wu Jinglian, and Li Yining. This considerably downplays the role of young and middle-aged intellectuals.

2) The role of those young and middle-aged intellectuals of that time is simplistically equated with the roles of the China Rural Development Research Group and the China Economic Reform Research Institute. That is a considerable misconception, the creation of which, of course, includes certain people from that period of history who have emphasized the roles of their personal experiences and the organizations with which they were affiliated. And while that gives no great cause for criticism, I hold that history ought to be more comprehensive and objective.

3) The role of intellectuals in the Beijing area is overemphasized to the neglect of that of certain intellectuals in places outside of Beijing. Of course, in recent years, as worldly wisdom has changed, with the literature being disparate and restricted, much historical data has been stifled.

To clarify this matter, let me first provide a table of organization [MING PAO YUE-KAN publishes an organizational chart of young and middle-aged Chinese intellectuals in the 1980s. There are three boxes across the top from left to right with lines attaching them: 1. Older and middle-aged intellectuals: Political faction (Society for the Discussion of Theoretical Principles); 2. Young and middle-aged intellectuals; 3. Older and middle-aged intellectuals: the cultural faction: the China Cultural Academy of Classical Learning. A line drops from the center of the middle box, branching left for those who did not go to college and right for those who did. The left line branches into two boxes respectively left and right: 1. Democracy and human rights movement activists (such as Wei Jingsheng and Ren Wandong); 2. Writers and artists with dissenting political views (Menglong-faction poets and Xingxing-faction artists). The right line, or those that went to college, drops to a center point, to the left of which are those who took part in elections and were outside of the system, and to the right of which are those who did not take part in elections and were within the system. The left line, or those who took part in elections and were outside of the system, drops to the political faction, which branches into boxes on two sides, left and right, with the left box branching further into two more boxes, left and right: 1. Civilian political research group; 1A. Research institute headed by Chen Ziming; 1B. Research institute headed by Li Shengping [2621 4141 1627]; 2. Liberalism movement activists (such as Hu Ping [5170 1627]). At the center point of the line dividing those who took part in elections and were outside of the system from those who did not take part in election and were within the system is the culture faction, which branches into two boxes, left and right: 1. The cultural collection faction (headed by Gan Yang [3927 7122] and Liu Xiaofeng [0491 1420 2800]; 2. The future-oriented faction (headed by Jin Guantao [6855 6034 3447]). And the right line, or those who did not take part in elections and were within the system, drops to the economic faction, which branches into three boxes, with box two branching further into two more boxes: 1. The four gentlemen group; 2. the agricultural development organization group; 2A. the agricultural development institute; 2B. the system reform institute; 3. the Zhou Louli [0719 2299 2621] group.] Tracing it back, that so-called generation (of young and middle-aged intellectuals) is now 35-45 years of age, at that

time being aged 25-35, with a few of course, such as Chen Yizi [7115 0001 6171], being slightly older. The basic background of that group was the older three classes. (*Note: The so-called "older three classes" refers to the last three senior high school classes before the Cultural Revolution, or the 1963, 1964, and 1965 classes, among which there was a strong sense of identification.*) The senior class was already in college before the Cultural Revolution (1965), while the sophomores were still in junior high before the Cultural Revolution. This group jointly experienced events such as the Cultural Revolution, the movement of educated urban youth to work in the countryside and mountain areas, the "5 April" campaign, and the Xidan Democracy Wall. Strictly speaking, the overall dividing line for this generation was as follows:

First, once the Cultural Revolution was over, this group began its first division into two parts. Due to historical chance, or the resumption of high school entrance exams in 1977 and college entrance exams in 1978, intellectuals' lives began to return to normal from the Cultural Revolution, at which precise time the great upsurge of the first Chinese democracy movement occurred, or the Beijing Xidan Democracy Wall movement. That generation was essentially swept up into that movement, after which some won the chance to go to college and others did not. In saying this, I am certainly not concerned about possibly offending certain people. Those who did not get the chance to go to college were essentially those who had been more deeply involved in the Xidan Democracy Wall movement, such as the artists in the Xingxing art faction, the poets in the Menglong faction, and the human rights activists. None of the outstanding figures created by the Xidan Democracy Wall, such as Wei Jingsheng, Ren Wanding, and many poets, went to college, rather all going exceptionally independent ways.

**[Ku] What about ones such as Wang Juntao and Chen Ziming?**

**[Zhu]** Wang Juntao and Chen Ziming were actually not fully involved in the Xidan Democracy Wall.

**[Ku] What we are concerned about here is the group that did get into college.**

#### **The Intellectuals Within the System Promote Economic Reform**

**[Zhu]** The group that got into college or entered the graduate-student phase, just like those who passed the imperial examinations at the county or provincial level during the Ming and Qing dynasties, took the imperial-examination route. That generation had a deep-rooted inclination toward and zeal for politics. At that time,

history again provided a lucky chance, or the elections to grass-roots people's congresses in 1980. Confronted with this opportunity, this group once again divided into two. Some vented their political zeal, taking part in the elections, the more prominent of whom were Hu Ping, Wang Juntao, and Chen Ziming. This group also included Liu Yuan of the Beijing Teacher's College, son of Liu Shaoqi, who subsequently become a local cadre in Henan Province, as well as Shanghai's Xu Bangtai [1776 6721 3141]. Of course, this group's political roads also subsequently branched, which is another matter.

Certain others did not get involved in the elections. At the time, they essentially wanted to complete their schooling first. This group had no lack of outstanding figures who, due to not having taken part in the elections, as well as to the early 1980s being a time of talent shortage, entered the system at once. This state of affairs lasted until 1989. Of course, after "4 June," the political paths of these figures split up again, with many becoming key officials in Chinese party and government organs, one group diving into the world of business, some going to study abroad, and others like myself investing considerable time and energy in the democracy movement.

This is the structural framework that I have outlined for the intellectuals. We will discuss now the so-called "intellectuals within the system," focusing mainly on events subsequent to the second division into two. These figures participated fully in Chinese economic reforms of the 1980s, some even playing key roles of one type or another.

Of course, as this generation generally had countless ties, their divisions are always relative. During the Xidan Democracy Wall period, while I went daily to read the big-character posters, I did not speak or participate directly.

**[Ku] During the late 1970s, Beijing intellectuals seemed to have many "salons" where they discussed all sorts of crucial public matters. One of the better known ones was the so-called "four-gentlemen group," of which you were a member. Another was the China Rural Development Research Group [CRDRG] headed by Chen Yizi. The CHUNGKUO CHI-K'AN (THE CHINA QUARTERLY) carried an article in its September 1991 issue by Michel Bonnin and Yves Chevrier that said that "the four gentlemen were originally key members of the CRDRG, who were all part of the educated-youth generation along with its other key members, and had a common interest in rural issues." (page 575.)**

**[Zhu]** That is wrong. The activities of we so-called "four gentlemen" differed fundamentally from those of

the China Rural Development Research Group, and we were not its key members. Before discussing the origins of the "four gentlemen" and the CRDRG, I would like to first talk about the historical setting of the time. I just mentioned that the role of the young and middle-age intellectuals was somewhat downplayed in academic circles, which downplaying was due mainly to a lack of clarity about the historical setting that drove this group into the historical arena.

At the time, due to the Cultural Revolution, as well as to reform being something that the CPC had never undertaken before, a talent shortage arose. As the CPC ruled by ideology, emphasizing theory, policy, line, unity of will, and documents, and paying particular attention to theoretical talent, it had never experienced a talent shortage. Since 1949, while the CPC had established a plentiful troupe of workers specializing in theory, all the way from Hu Qiaomu to the researchers in all state ministry and commission policy research institutes, the older group was wiped out during the Cultural Revolution. The policy research ranks had essentially collapsed during Mao's time, with the research institutes of the central Propaganda Ministry and all ministries and commissions repudiated, and their talent forced into May-7 cadre schools. Subsequently, once the gang of four lost power, all of the "large number of criticism groups" that it had set up, as well as its corresponding policy research ranks, were also wiped out.

So around the time of Hua Guofeng's fall from power and the "Society for the Discussion of Theoretical Principles," the situation arose in which a corps of traditional CPC theoretical policy researchers to meet the needs of the reform that the CPC was preparing to undertake did not exist. While the remaining group of influential intellectuals in the party, such as the participants in the "Society for the Discussion of Theoretical Principles," was quite open in its thinking, its academic background was generally philosophy, literature, and history. And academic conditions were similarly in a semiblack stage. As to reform and market economy, most had made no ideological preparations. During the Cultural Revolution, while some had been engaged mainly in translation work, so had been in contact with Western economics theory, they lacked an understanding of China's real situation.

So: 1) The political destruction of the theoretical ranks had created a gap; 2) those who at the time could be influential and play a role had sharp academic-background limitations; 3) while college professors such as Li Yining had a certain understanding of Western economics, they had no practical sense of China's national economic operations. It was these three factors that provided the historical setting for the rise of young

and middle-aged theoreticians. I mention Li Yining here because I had contacts with him at the time, and we had engaged in certain mutual exchanges. And I was also quite familiar with the "Society for the Discussion of Theoretical Principles."

But there was also a more direct factor. Once Zhao Ziyang went to Beijing in 1980, he was faced with an ageing State Council system in which he had no very deep-rooted power base. The first meeting that Zhao Ziyang held in Beijing concerned finance, where then-Finance Minister Wu Bo actually contradicted him in public. This shows Zhao Ziyang's lack of power base. Just think, Zhao Ziyang at the time was seen as nothing more than a provincial party committee secretary who spoke with an outsider's accent and seemingly had never worn a decent suit of Western clothing, who had suddenly been brought to Beijing to serve as premier.

In this state of affairs, Zhao Ziyang needed innovative ideas to deal with the new situation. At the time, Zhang Jingfu [1728 0513 1133] was ordered to draft the first plan for China's economic reform. But while Zhang Jingfu was a quite high State Council official at the time with certain policy-theory accomplishments, he also suffered from considerable limitations. From today's perspective, these limitations were mainly that he had made no ideological and theoretical preparations for the unavoidable appearance in the course of China's economic reform and opening of economic liberalization and the all-out trends of marketization and privatization. And these limitations also showed up in his excessively blind faith in the economic reform experiences of the former [as published] Soviet and Eastern European socialist countries.

*[Ku] When was economic reform first reported?*

*[Zhu]* That report was drafted in 1979, to be precise, being the first plan for China's economic reform. At the time, it was not issued publicly. It needs to be noted here that those involved with the earliest economic reform issues were precisely the subsequently so-called "leftists" or "conservatives." At the time, Hu Qiaomu made a speech at a CPC Central Committee office meeting, which was subsequently carried in the PEOPLE'S DAILY, and that mentioned matters such as the socialist crisis. Of course, he was still using Marxist-Leninist theory, speaking in Stalinist tones about socialist matters. Others at the time, such as Deng Lihou, also touched on these matters.

*[Ku] Did you not just say that most of the intellectuals in the "Society for the Discussion of Theoretical Principles" came from philosophical, literary, and historical backgrounds?*



[Zhu] Yes. For various reasons, most of the academics closer to Hu Yaobang, such as Ruan Ming [7086 6900], came from philosophical backgrounds. And while these also included Wang Ruoshui [3769 5387 3055] and Zhang Xianyang [1728 7359 2254], the most immediate problem actually facing the CPC was economics.

[Ku] It seems that there were also certain economists.

[Zhu] But these economists, such as Yu Guangyuan [0060 0342 6678], had mostly been educated in orthodox Marxist political economy. And their understanding of so-called socialist economics was also deeply influenced by the Stalinist (textbook) *Socialist Political Economy*. As to contemporary economics, particularly the real economic operations of the time, they knew very little. In addition, as their economics methodology carried a strong philosophical flavor, it differed sharply from our current understanding of empirical economics.

**\*Member of Zhao Brain Trust' Interviewed (II)**

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[Part two of interview with Zhu Jiaming (2612 0857 2494) by Ku Hsin (7357 2500), research assistant at the Leiden University Sinology Studies Institute; 9-14 June 1994, in Leiden, Netherlands: "'The Four Gentlemen' and the Young and Middle-Aged Braintrust"]

[FBIS Translated Text] Editor's note: The ties of China's younger generation of intellectuals with the PRC superstructure (particularly reformers such as Zhao Ziyang) were first opened up by the so-called "four gentlemen," who paved the way for young and middle-aged intellectuals within the system. From within the system to outside of it, from academics to politics, and from emphasis on theory to emphasis on experience, while this generation took varying specific paths, it was certainly consistent in its general orientation. [end editor's note]

**Report on Adjustment of the National Economy by the "Four Gentlemen" Influences Zhongnanhai**

[Ku Hsin]: Let us now please discuss the matter of the "four gentlemen."

[Zhu Jiaming]: The "Four Gentlemen" included myself, Huang Jiangnan [7806 3068 0589], Weng Yongxi [5040 3057 2569], and Wang Qishan [3769 2978 1472]. Huang Jiangnan and I were both at the time graduate students at the CASS [Chinese Academy of Social Sciences] Graduate Academy's Practical Economics Department, actually both being candidates for master's degrees in the 1978 (the first) class of the Industrial Eco-

nomics Institute. This now generally considered somewhat strange "Practical Economics Department" was composed of graduate students from the Industrial Economics, Agricultural Economics, and Finance and Trade institutes. The Industrial Economics Institute produced the now illustrious [Vice Premier] Zhu Rongji, who at the time was deputy director of the CASS Industrial Economics Department. It is understood that Zhu Rongji regained his party membership there. The Industrial Economics Institute was then directed by Ma Hong, who later became CASS director and State Council deputy secretary general.

Weng Yongxi at the time was a researcher at the State Agricultural Commission's Policy Research Department. He had studied during the Cultural Revolution at Beijing University's Department of Workers, Peasants, and Soldiers, where he specialized in international politics, being the inventor of the so-called Cultural Revolution slogan of "equality of workers, peasants, and soldiers." His subsequent official fall and rise were affected by that history.

Wang Qishan is currently president of China's People's Construction Bank [PCB], previously being the vice president of the People's Bank of China [PBC]. He seems to be currently the highest official among that group of intellectuals. After "4 June," he became PCB vice president. He graduated from the History Department at Northwest University, having been a research intern at the CASS Modern History Research Institute in the late 1970s. Wang Qishan has an important family background, being the son-in-law of Yao Yilin.

[Ku]: Did you not at the time issue an influential report on issues involved in the adjustment of the national economy?

[Zhu]: Yes, we did. At the time, I had certain ideas about the whole national economy. At the end of 1980, there was a so-called "three-studies conference" at Hefei, with the three studies being the study of science, the study of talented personnel, and the study of the future, which was chaired by Wu Mingyu [0702 2494 0827] and Tong Dalin [4547 1129 2651]. When preparing for that conference, the key issues that I focused on were: How to deal with the relations between adjustment and reform. In adjustment, which issues are crucial? And in reform, which issues are crucial? My fundamental view was that so-called adjustment and reform were aimed at two different targets. The adjustment issue referred to adjusting the makeup of the existing national economic structure, such as the proportional relations among industry, agriculture, and light industry. For instance, as tertiary industry was nearly nonexistent in China, its development would

require adjustment of the national economic structure to allow more capital, including both real and human capital, to flow into that field. So the adjustment issue was aimed at the national economy's price makeup. In which case, reform was a system matter. Adjustment emphasized the hardware aspect, while reform stressed the software area. A country's economic system is also a matter of economic institutions, such as whether prices are actually state- or market-controlled. So the two issues were aimed at differing targets.

Second, the two are also mutually complementary. For instance, to develop tertiary industry, in addition to adjusting the economic structure, reform would also be necessary to facilitate the flow of capital to that field, which would necessitate the introduction of market forces. Correspondingly, the inflation and budget deficit issues were essentially system problems. Those were my views at the time.

[Ku]: It is understood that your report seemingly emphasized the "adjustment" matter somewhat to the neglect of the "reform" problem.

#### The First To Advocate "Market Competition"

[Zhu]: After the Cultural Revolution, I was the first to advocate the need for market competition in China. This is all on the academic record. My first article discussed "The Need for Socialism To Introduce Competitive Forces," was published in the July 1979 issue of the Shanghai XUESHU YUEKAN, with GUANGMING RIBAO subsequently carrying the first summary of the discussion on this matter. (Note: Zhu Jiaming's article published in the July 1979 issue of the Shanghai XUESHU YUEKAN was entitled "Does the Socialist Economic System Absolutely Exclude Competition?"; it set forth tentative views on expanding the market economy scope into the fields of the production and sale of the means of production, as well as on reforming the pricing system.) While I later set forth views such as those of Sun Shangqing [1327 1424 3237] on market forces, this report of ours involved mainly the adjustment issue. The central theme of this report was dealing correctly with relations between adjustment and reform; it held that economic reform could not be divorced from industrial adjustment and upgrading, and that reform needed an overall design. Meanwhile, our adjustment and reform policies needed to be coordinated.

[Ku]: How was your report completed cooperatively?

[Zhu]: I held at the time that while it was very necessary to write this report, it ought to have more support, on which account I sought out Huang Jiangnan, who told me that as it involved many nonindustrial matters such

as agriculture, I ought to look up Weng Yongxi. We also held that an elucidation of these matters would need a sense of history, on which account we met Wang Qishan through Lin Chun [2651 2504] and Li Yinhe [2621 6892 3109].

[Ku]: Did any intellectuals at the time carry out unofficial activities?

[Zhu]: Yes, they did. Some at the time were preparing to edit the literary collection *Meditations in History*, which activity was aided by the Beijing Municipal Party Committee Party School. While the activities of we four gentlemen overlapped in time with those activities, they were independent. And as I had just returned to Beijing, I had no contacts.

#### Chen Yun and Deng Xiaoping Support Economic Reform

[Ku]: How was your report drafted and reported to the authorities?

[Zhu]: Our report was drafted by myself with their suggestions and participation in revision, and it was completed in November 1980. It was entitled "Several Issues Involved in China's Economic Adjustment and Economic Reform." We simultaneously reported it to the authorities through several different channels. When Zhao Ziyang and Yao Yilin saw it, they reported it to Chen Yun and Deng Xiaoping.

This report had a great influence on the PRC superstructure. When Hua Guofeng was on the verge of falling from power, the reform group of the time included the later so-called "conservatives." Chen Yun and Deng Xiaoping had historical positions at the time much different than at present. Our report was accepted at the 1980 Central Work Conference. While Chen Yun clearly expressed his support for this report at that conference, the subsequent *Selected Works of Chen Yun*, edited by Deng Liqun, specifically deleted that [support].

Before Chen Yun's statement, Zhao Ziyang had a formal discussion with we four in first conference room at Zhongnanhai. That was one day in December 1980. I remember that the first thing that Zhao Ziyang said was "today is the first time since the founding of the PRC that a State Council premier has discussed crucial affairs of state with anyone under 30 years of age." At the time, I was 28 or 29, the youngest.

This report was later carried in HONG QI [RED FLAG] as an "internal draft document." At the time, as HONG QI still had a quite high standing, the event was very newsworthy and sensational. And while the LIAOWANG weekly had originally wished to report the event in its first or test issue, we four held that



it did not need extensive publicity, so did not allow that publication to report it extensively. Subsequent XINHUA [NEW CHINA NEWS AGENCY] sections (including "Dynamic Proof") successively interviewed us and reported our views on the national economy.

That was the historical setting and circumstances in which the ties between the younger generation of Chinese intellectuals and the PRC superstructure (particularly reformers such as Zhao Ziyang) were first opened up by the so-called "Four Gentlemen." Of course, from today's broader historical perspective, that event paved the way for young and middle-aged intellectuals within the system, thus enabling this group to take a completely different path from others, such as Wei Jingsheng and Hu Ping. Personally, from within the system to outside of it, from academics to politics, and from emphasis on theory to stress on experience, I feel deeply that while this generation took somewhat differing particular paths, its general orientation was certainly consistent, as we all had either a clear-cut or indistinct understanding of the general historical trend of China's movement toward reform. But with regard to Chinese affairs, it was certainly the case that different people would play different roles. China's changes were to occur within the system for some time to come, with the most substantive problems within the system being economic ones. As China was going to take the path of democratization, it was going to need someone to manage the state who would actually be familiar with its economic problems. Before entering the system, I had been a peasant for nearly a decade. And just a year before returning to Beijing, I was still a worker building docks, still throwing rocks into the sea, so that once having that opportunity, I particularly felt that I ought to seize it.

[Ku]: Where were you a peasant?

[Zhu]: I was a peasant for eight years in Tibet and Heilongjiang and a worker for two years in Shandong, where I took part in the building of the military port for the North Sea Fleet. I passed the exams for the Industrial Economics Institute with quite high specialization grades to gain access to Beijing. All of the above involved the so-called "Four Gentlemen."

#### **The Establishment of the Young and Middle-Aged Brain Trust: The China Rural Development Research Group**

[Ku]: Alright, can we now discuss the beginnings of the Rural Development Research Group?

[Zhu]: I would like to discuss here how we four paved the way for a genuine dialogue and linkup between the PRC's reform group and young and middle-aged intellectuals. That stimulated the establishment

of the China Rural Development Research Group. (Note: I found out in an interview with Chen Yizi at Princeton in November 1992 that the China Rural Development Research Group was founded on 27 September 1980. But the China Rural Development Research Group-edited *NONGCUN JINGJI SHEHUI* [RURAL AREAS ECONOMICS SOCIETY], vol 1, Beijing, Intellectual Publishing House, 1985, noted that that was the China Rural Development Research Group's organization period, and that the China Rural Development Research Group was formally established in February 1981.)

The China Rural Development Research Group actually focused mainly on agricultural matters. As agriculture had always been China's greatest problem, it was also a crucial matter in the early reform period.

There were actually three figures who made crucial contributions to the early-stage development and establishment of the China Rural Development Research Group, Chen Yizi, He Weiling [0149 4850 0407], and Wang Yan [3769 1750]. He Weiling has unfortunately since passed away. While these three were all Beijing University graduates, they had also all been young Beijing University students. Except for Chen Yizi, I do not remember what specialty Wang Yan worked in at Beijing University with, and he took little part in the China Rural Development Research Group's later-stage work.

[Ku]: Do you know how Chen Yizi came into contact with so many young intellectuals?

[Zhu]: Chen Yizi was criticized during the Cultural Revolution. (Note: Chen Yizi records in his book *China: A Decade of Reform and the 1989 Democracy Movement*, Taipei, Lien-Ching Publishing Enterprise Corp, 1990, that he was subjected to political criticism for having written a 30,000-character letter to Mao Zedong in 1964, and was identified during the Cultural Revolution as a "counterrevolutionary," for which he was harshly beaten. He was subsequently sent down to work in the rural areas in 1969.) He was later stationed in the Madian region of Henan as a party committee secretary on a people's commune. A group of intellectuals had assembled in that vicinity, including Wang Xiaoqiang [3769 1420 1730]. These youths had fortunately been sent to live and work in a nearby production team together, subsequently all returning to Beijing. And Chen Yizi had close ties to this group of young intellectuals.

#### **Active Participation by Deng Liqun's Son**

[Ku]: Did that group of young intellectuals include Deng Yingtao [6772 5391 3221]?

[Zhu]: Yes, it did. Of course, Deng Yingtao joined it later. Later, Chen Yizi returned to Beijing. (*Note: Chen Yizi was quoted as saying in his book that it was in February 1979 that he returned to Beijing with Hu Yaobang's approval.*) Chen Yizi was a friend of Hu Deping [5170 1795 1627] (Hu Yaobang's son) which, in addition to certain other connections, gained him the support of Hu Yaobang. (*Note: Chen Yizi records that he had met Hu Yaobang as far back as the Third National Communist Youth League Congress in 1957. Calculating the years, Chen Yizi would have been 17 years old at the time. Chen Yizi does not mention Hu Deping in his book.*) Later, when Chen Yizi joined the CASS Agricultural Economics Research Institute, its director was...

[Ku]: Wang Gengling [3769 5087 0109].

[Zhu]: Right. While we may forget some people's names temporarily, there is nothing wrong with the historical mainstream. Wang Gengling at the time supported the entry of these youngsters into the Agricultural Economics Institute [AEI], which subsequently set a precedent by establishing the subordinate China Rural Development Research Group.

[Ku]: Could that "subordination" be called "registration?"

[Zhu]: While it was a sort of "registration," there were certain differences. At the time, the AEI was still involved in certain of its affairs, so that the China Rural Development Research Group was not merely an ordinary name registration. It was very hard in the system of the time to achieve the "registrations" that occurred later.

[Ku]: So was this "subordination" a formal body with an authorized establishment?

[Zhu]: It did have a certain authorized establishment.

[Ku]: What ties did the developing China Rural Development Research Group have with the intellectual salon activities of the late 1970s?

#### The "Cultural Faction" and the "Economics Faction"

[Zhu]: I would like to distinguish those of this group of intellectuals you mention here who were in the "cultural faction" from those in the "economics faction," who were concerned with economic matters. I do not know about the earliest activities of the "cultural faction." While I now do know that figures such as Jin Guantao, Gan Yang, and Hu Ping were engaged in the early 1980s in much cultural exploration, Beijing intellectuals of the time held many forums, all of which were informal. Dating from the "5 April" period, Beijing had certain

youngsters discussing economic matters together, of whom the crucial figures were ones such as Huang Jiangnan and Wang Xiaoqiang. Huang Jiangnan was particularly important, being a worker, peasant, and soldier student at the time at Beijing Teacher's College, having returned to Beijing from a Heilongjiang military unit. Huang Jiangnan met Lin Chun and Li Yinhe before large numbers of the young and middle-aged returned to Beijing to study. (*Note: Chen Yizi says in his book that "once I arrived in Beijing, I encountered all sorts of discussion groups, where wide-ranging discussions were being held on the fundamental problems facing China."*)

[Ku]: Do you remember some of the more important of these symposiums?

[Zhu]: From 1978 to the winter of 1979, the "salons" with genuine connections to economic reform, which term "salons" I am using for the time being (as no one at the time was using such Westernized terms), were informal symposiums started by Weng Yongxi, Huang Jiangnan, Wang Xiaoqiang, and Wang Xiaolu [3769 2556 7627] under the auspices of the NONGMIN RIBAO [PEASANT DAILY] news agency. Weng Yongxi at the time was working at the NONGMIN RIBAO news agency, not yet having been transferred to the Agricultural Commission Policy Research Department. Huang Jiangnan was already a graduate student at the Industrial Economics Institute. Wang Xiaoqiang and Wang Xiaolu were both editors of the WEIDING GAO [UN-FINALIZED TEXT], a publication subordinate to the CASS ZHONGGUO SHEHUI KEXUE [CHINA SOCIAL SCIENCES] journal (*Note: WEIDING GAO was an internal publication. Its aim was exclusively to publish certain so-called "ideologically immature and not completely finalized" articles. In fact, as such articles precisely brewed much new thinking that broke with the old tenets of official PRC ideology, the intellectuals involved at the time in WEIDING GAO were widely well-received.*) As I just said, Wang Xiaoqiang's origins with Chen Yizi and Deng Yingtao went back to their Henan period.

At the time, the 1977 class of college students was being enrolled, but only for one year. The first meeting [of a salon] was chaired by Weng Yongxi at the time of the 1979 Spring Festival, with 20-30 people taking part. That meeting was a very simple one, with many meeting for the first time, so mainly it involved mutual recommendations and briefings on respective research work. I recommended Zhou Qiren [0719 0366 0088]. And my personal acquaintance with Weng Yongxi also began at that meeting. The activities of we so-called "Four Gentlemen" began after that salon activity. Figures such as Chen Yizi and Wang Qishan also took

part in that meeting. I remember that the third and fourth meetings were chaired by myself and Huang Jiangnan, and were held at the temporary library of Beijing Teacher's College Graduate School, which at the time was a wooden building. Subsequent meetings were held in diverse places.

The subsequent so-called "biweekly forums" were largely continuations of this series of salon activities. In the early 1980s, there were two "biweekly forums." We are speaking of the "biweekly forums" of mostly youngsters, which did not end until October 1985. Later, the Beijing Youth Economics Institute was founded, which sponsored the subsequent salon activities. Another "biweekly forum" was started by Wu Mingyu, and it held its first meeting in a certain room in the Great Hall of the People, where certain crucial reform issues were discussed. Its participants were mostly older figures with rich political and academic attainments, and it was officially funded. Of its several meetings that I attended, my deepest impressions were of the "large-scale agriculture" favored by Tong Dalin. In addition, Yu Guangyuan was very active, along with others such as Li Shenzhi [2621 1957 0037].

[Ku]: At the time, did figures such as Jin Guantao take part in your series of salon activities?

[Zhu]: While it seems that Jin Guantao did not take part in these meetings, I am not sure. Later, Jia Xinmin [6328 2450 3046] participated in certain meetings concerning economics. Our relations were quite close for a time. At the time, Jia Xinmin was at the Chinese Academy of Sciences [CAS] Policy Research Department, while I was also specially concerned about the relations of science and technology development to economics. His master's thesis was on why new Chinese products were being developed so slowly.

#### **\*Article Views Successful Village in Shenzhen**

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[PURSUIT OF TRUTH] in Chinese 11 Mar 95  
No 3, pp 14-18

[Article by Liu Gang (0491 0474): "A Village of Common Prosperity in a Special Zone"]

[FBIS Translated Text] Located at the foot of the Wutong Mountain south of Buji Town in the Shenzhen Special Economic Zone [SEZ], Nanling is a hamlet with 168 households composed of 735 people. As of the end of 1993, it had a total asset value of 640 million yuan and a total income of more than 38 million yuan. The net income per capita was close to 30,000 yuan. For the past 10 consecutive years, the village has been cited as a "civilized unit," and its party branch as an "advanced party branch." More specifically, the village is one of

Guangdong's "civilized units" at the provincial level, and its party branch is one of the "10 Red-Flag Rural Party Branches in Southern Guangdong."

#### **"A Can" Can No Long Find the "Chicken Manure Pit"**

"A can" [7093 3503] is a synonym for illegal immigrants from the mainland when referred to in contempt by some people in Hong Kong. The "chicken manure pit" was a contemptuous name given to Nanling some 10 years ago by its neighbors. To explain why these two names are linked together, we have to start with a story that happened 15 years ago.

The ancestors of the Nanling people were Hakkas from Meixian County. At that time, as all lands on the plain had been reclaimed and occupied by earlier inhabitants, the Nanling people could only live on mountain slopes or by the side of ditches. Fifteen years ago, the village had only 134 households with collective fixed assets of merely 70,000 yuan and a per-capita net income as low as some 100 yuan. The state provided the village with more than 20,000 jin of resold grain each year, but this still could not satisfy the local people's food requirements. Each year the village head had to travel to other places to buy 100,000 jin of sweet potatoes as supplementary food for the masses. All villagers lived in old houses built dozens of years or even 100 years ago. Everywhere in the village were garbage and foul water, hence the name "chicken manure pit." On 6 May 1979, a group of more than 100 young villagers went to Hong Kong, which is nine kilometers away from their home, and became authentic "a can."

Time goes quickly. Fifteen years have passed. Those "a can," who illegally crossed the border into Hong Kong at the risk of losing their lives, and who made painstaking efforts to earn their living there, have now come back, but their purses are by no means heavy.

"The stars are still those stars, the moon is still that moon. So is the mountain, so is the ridge...."

Yet they could not find their old home. Now a broad and level cement avenue runs through the village. Many buildings of two or more stories have appeared. Fruit orchards fill up the mountain slope, while factories can be seen here and there in the village. There are all kinds of public facilities, including a kindergarten, schools, a hospital, a cultural and athletic center, a theater, a library, video-making salons, postal and telegraph offices, bank branches, a police station, farm produce markets, restaurants, and a public park. And every family has an airconditioner, a refrigerator, a color TV set, a telephone....



The "chicken manure pit" is no longer there. The building costs of the new facilities have astonished the "a can:" the water supply system, the cement avenue, the afforestation project, the public lavatories, and the sewage disposal system—1.31 million yuan; the cultural and athletic center and the theater—3.4 million yuan; the kindergarten and the primary and secondary schools—5 million yuan; and the hospital (class 1A)—30 million yuan. In addition, the village has donated more than 20 million yuan to old revolutionary base areas, disaster areas, national defense scientific research organizations, and People's Liberation Army units. The above does not include village input for production projects and for the people's well-being, such as pensions for retired villagers, tuition for students, living expenses for the five-guarantee elderly [childless and infirm old people who are guaranteed food, clothing, medical care, housing, and burial expenses], and medical care and personal insurance for each individual villager....

To these, the "a can" have not contributed a single cent. Indeed, they are ashamed of their not-so-heavy purses. They eagerly asked the villagers: Why has the luck of the village changed?

#### **While All Others Divide Croplands, He Combines Them**

Nanling's change was not due to good luck. Actually, credit should go to the "a can." The "6 May" exodus of 100 people to Hong Kong had a great impact on a person—Zhang Weiji, then the deputy party branch secretary of a production team. This Nanling native, born in the year of the victory of the War of Resistance Against Japan, made a determination to bring change to his native village. In 1980, he gave up the job at the County, Commune, and Brigade Enterprises Bureau where he had been assigned to work under the "workers substituting for cadres" program. He decided to come back to do something with all-out effort.

With a small area, Nanling had only a little more than 100 households, but was divided into four production teams. Here the layout of croplands was in a jigsaw pattern, making it unsuitable and difficult to develop any farm projects. Zhang tried to persuade the cadres and masses of his and other production teams: "If we are divided, we can accomplish nothing. Only by putting our lands and manpower together and pooling our material and financial resources can we develop successfully!"

At that time, Zhang's production team received 2.4 million yuan from the authorities concerned as a subsidy for land used by the government. If this money had been distributed among the members of the production team, Zhang could have gotten 100,000 yuan. But

he firmly objected to distributing the money. At a villagers meeting, he said: "The Communist Party stresses common prosperity. Our purpose in pooling the financial resources of the four production teams is to develop a collective economy so that we can all embark on the road of common prosperity. If we have some money and immediately distribute it, we are doing something absolutely unfavorable to the development of socialism."

Right after the merger of the production teams, a company contacted Zhang offering to cooperate with the village in setting up a factory. Zhang accepted the offer and led the company's representatives to choose a place for the factory site. After a lot of effort, a big signboard bearing the name "Nanhe Electronics Plant" was hung up. This was the first domestic cooperative enterprise at that time in the countryside of Baoan County outside the Shenzhen Special Zone. In preparing for the establishment of the factory, the Nanling people acted sincerely and warmly toward their cooperation partner. On learning that the partner company was short of funds and had difficulty in meeting employee living expenses, they immediately sent some 1,000 jin of rice to the company. When the company had a problem of insufficient water, they allowed it company to use all the water stored in their reservoir pond, even though this affected their own water supply.

No difficulty is insurmountable if one sets one's mind to it. Nanling, like a big Chinese parasol tree, has attracted many phoenixes, which have come and nested there. In a little more than a decade, 26 enterprises have appeared in this village.

#### **While Others Are Enjoying Comforts, He Bears Hardship**

"Living on land rental income and enjoying comforts"—that is, depending on the geographical advantage of being adjacent, to developed cities and special economic zones to profit from building and renting out factory buildings and, thus, enjoy a comfortable life—is a common practice of villages on the outskirts of developed areas. However, Nanling has not enjoyed such comforts. Of the 300-plus native workers in this village, about 70 are street cleaners, some 30 are construction team members, some 50 are orchard workers, and more than 180 are working in village-run enterprises and institutions. The 26 enterprises established in Nanling by outsiders employ more than 20,000 staff members and workers. Based on the village's economic strength, all these employees could be recruited from outside as is the case in other villages. This is especially so for physical workers doing relatively dirty and hard work. Yet Nanling did not do so. What is more commendable is that all work-

ing dependents of cadres in this village are members of the street-cleaning teams. They are by no means too old to do other jobs—some are junior secondary school graduates. "No one in Nanling needs such money," the Nanling people explained. "Doing dirty and hard work is nothing to be afraid of. But if we divorced ourselves from labor or even despised it, that would be terrible!"

In this regard, Zhang has a more profound thought: "Now there are some enterprises in our village with investment either from abroad or from other localities in our country. But they are not our own businesses, after all. After one or two decades, the contracts will expire and the factories will move away. At that time, what will Nanling do? And what will the younger generations in Nanling depend upon?" It is precisely due to this thinking that, in addition to renting out factory buildings, Nanling has vigorously developed joint ventures and cooperative enterprises with outsiders, established its own enterprises, and promoted apple production, a traditional industry of this village. Today, of Nanling's total income, 50 percent comes from joint ventures and cooperative enterprises and 30 percent from rents of factory buildings. The income from the village's own enterprises and apple-growing industry has increased from a very small share to 20 percent of the total income.

Though the amount involved is not very large, is not this a good start of great significance?

#### **A "Small Special Zone" Outside the Wall of a Special Zone**

Shenzhen has two barbed wire entanglements, known as two "walls." One separates it from Hong Kong. The other separates it from the country's interior, though a small part of the Shenzhen Special Zone is outside the wall. Nanling is located in the part just outside the wall but under special zone jurisdiction. Now we call Nanling a "small special zone." But this name has nothing to do with its special geographical location. Then why is it "special"?

It is special because it puts special emphasis on developing the collective economy. Nanling has 28 big and small factories, plus over 100 small businessmen, peddlers, specialized households, and households doing family business. However, there is no enterprise owned privately by any one in this village. All villagers, including party members, cadres, and common people, are working in collectively owned enterprises and institutions. They only think of the collective interests and are fully devoted to the prosperity of Nanling. Everyone in the village knows well that Nanling has developed to the present state because its people are united and organized and because it relies on the collective strength and

the collective economy. In the vast sea of the socialist market economy, they say, if a big ship is disassembled into many parts, no one on board can escape the fate of drowning!

It is special because it puts special emphasis on common prosperity. On the very day the production teams were merged into one, Zhang made a clear-cut announcement: "The Communist Party is characterized by common. Here common means common prosperity. In Nanling, we absolutely disallow disparity in wealth. Polarization, if allowed to appear, would inevitably impair people's relations and eventually ruin socialism!" Now, Nanling is better off, but there are no upstarts and rich households with ill-gotten wealth in the village. Still less are there any poor households that are economically far below others and have difficulty earning a livelihood. Speaking of this, village cadres say proudly: "In our village, there is basically not much difference among the 168 households in terms of housing, income, and living conditions!"

It is special because it has a special love for spiritual civilization. When the party organization called on the masses to "learn from Lei Feng, promote five-good families, and be law-abiding villagers" and to develop the campaign for selecting "civilized households," every family in the village responded to the calls and joined the campaign. The weekly film shows held by the party organization in connection with the education in patriotism, collectivism, and socialism have always had capacity audiences. The masses have vigorously responded to all calls for supporting the country, old revolutionary base areas, disaster areas, development of national defense scientific research, and construction of the armed forces. They have also enthusiastically responded to such campaigns as purchase of treasury bonds, promotion of family planning, support for the Hope Project, and aid to people in disaster areas. The village runs a night school which enrolls more than 100 middle-aged people who had insufficient basic education. In addition, it has a theatrical troupe composed of young people, an old men's martial art team, a basketball team, and a soccer team. A tune based on the traditional song "Mothers Chorus"—"Without the Communist Party, There Would Be No New China"—was a prize-winner in an amateur song contest sponsored by the city.

It is special because it is a "special peaceful area" in the Shenzhen Special Economic Zone, which has a high crime rate because of the large floating population. With assistance from the departments concerned, Nanling has formed a public security force composed of more than 100 people. Thanks to this arrangement, no criminal case has appeared in the last six consecutive years. The



public security force has also effectively prevented the seven vices, including narcotics, pornography, prostitution, gambling, obscenity, and underworld organizations. As a result, in the larger environment of the special economic zone, Nanling has been able to form a small "fine climate," ensuring balanced development of material and spiritual civilizations.

#### **The Communists' "Three Lead's" and Zhang Weiji's "Four Promises" and "Three Do's"**

In 1983 when Zhang Weiji was elected head of the village, he made four "vows" before the public:

To let the villagers have enough to eat; to let the villagers have money to spend; to let the villagers live in new houses; and to let the villagers live a long life and enjoy good health.

Ten years have elapsed, and Zhang's promises have by and large been fulfilled. Asked what he has relied upon to fulfill his "vows," Zhang, now secretary of the party branch, replied: "I relied upon the three do's of the party branch cadres and the three lead's of all party members." The "three do's" are unity, enterprising spirit, and justice. The "three lead's" mean taking lead in fulfilling the tasks assigned by the organization, abiding by discipline and law, and getting rich through hard work.

Nanling has 13 village-level cadres and more than 30 Communist Party members. The masses' comment on them is: "Everyone is a good party member, and everyone is a good cadre!" In Nanling, there is neither polarization nor egalitarianism. Here the principle of "from each according to his ability, to each according to his work" is strictly carried out. Yet the wages of cadres are not very much higher than what the masses earn, and people with real financial difficulty receive support and aid from the village authorities. Cadres, who still live in the old houses built in the 1980's, have helped people with financial difficulties to build new houses. Dependents of cadres clean public lavatories and remove night soil, and their wages are more or less the same as others. Jobs requiring less physical labor are provided for those who are not in very good health. Over the past few years, cadres have refused to accept bribes totalling 4 million yuan. Their upright style has won everyone's praise. Deeply moved, the masses say: "Cadres of our village are really characterized by common!"

"Villagers take care of each other, households take care of each other, and the masses take care of cadres." Cadres think of the well-being of the masses, while the masses are concerned about the collective and cadres. In Nanling, when the party organization holds

a mass meeting or call on the masses to do voluntary work, all villagers, men and women, old and young, can assemble in 20 minutes. If a cadre is sick or hospitalized, even the elderly in the village will visit him personally. Currently, all cadres and masses in the village are making concerted efforts with one mind toward a new goal—turning Nanling into "a first-rank village in Guangdong"!

Ten years ago when Nanling first made the proposal to "unite and rely on the development of the collective economy to achieve common prosperity," some people were doubtful about how long Nanling could wave the red flag. Now the same question has been raised again. Zhang Weiji, who is now a national model worker and a deputy to the Eighth National People's Congress, answers the question still in the same way: "The Communist Party is characterized by common. Here common means common prosperity. The only path we know is the path of common prosperity. And we want to keep going on this path without letup!"

#### **\*Article Views Origins, Nature of Corruption**

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No. 3, 11 MAR 95 pp 30-33

[Article by Zhang Guochun (1728 0948 2504): "Root of Corruption: Exploitation System or Public Power?"]

[FBIS Translated Text] Recently I read Comrade Wu Yue's article published in the press discussing the radical cause of corruption. The article alleges that "the exploiting system is not the radical cause of corruption." To attribute corruption to the exploiting system, it adds, is "a superficial and lopsided conclusion based on the traditional political and ideological models." Instead, the article puts forward the viewpoint that corruption originates from public power in society. I think this is open to question.

#### **I. Intrinsic Link Between the Exploiting System and Corruption Cannot Be Ignored**

The logic from which Wu's article proceeds to deny that "corruption comes from the exploiting system" is to sever the intrinsic link between the exploiting system and corruption. According to Wu's article, exploitation and corruption are twins lying in the same cradle. Despite their many similarities, they have "essential differences in social attributes" and "are totally irrelevant as far as the origins of activities are concerned." After all, what is the relationship between exploitation and corruption? "Brothers" or "father and son"?

Generally speaking, so-called exploitation means seizing the labor or products of others without giving compensation. In the narrow sense, it means essentially those acts that rely on the right of private ownership of means of production to take possession of the labor or products of others without giving compensation. Exploitation in the broad sense covers all acts of free acquisition of the labor of others, including all acts of reaping without sowing. In general, so-called corruption means the unrighteous use of public power to gain private interests by those holding public office. It has two basic characteristics: One is abusing public power. The other is seeking unjustified interests, primarily material interests, through the abuse of public power. As can be seen, corruption is aimed at free acquisition of labor from others or from the public and, therefore, is a kind of exploitation. Exploitation and corruption not only have many ostensible similarities, but have an inherent relationship in essence. Karl Marx linked the corruption of government officials in capitalist countries to the capitalist mode of production in exposing the fact that corruption is inevitably produced by the capitalist production mode. Even some contemporary Western scholars do not deny the exploitative nature of corruption, though their viewpoints and approaches are quite different from those of Marxism. For instance, American scholar Jacob Fankelafulun [5400 0344 2139 1715 0243] once pointed out: If a government official abuses his power to "seek the greatest interests for himself from every official function he carries out, and if those whom he deals with are willing to accommodate him, then what we are talking about is a form of exploitation—that is, a component part in the realm of public order is exploited just as a component part in the realm of market is exploited."

Historical materialism tells us that social being determines social consciousness and the economic base determines the superstructure. Marxism never discusses and verifies any social phenomenon in abstract terms, but analyzes it from the perspective of practical relationships between social being and social consciousness and between the economic base and the superstructure. This is also the effective approach we should take in analyzing the corrupt phenomena and drawing a correct conclusion about corruption.

As everyone knows, corruption, as a political phenomenon, is a product of human society when it has reached a certain stage of development. In primitive society, the very low level of productive forces not only made exploitation impossible, but also gave no ground for the corruption of power to occur. With the development of productive forces, however, the appearance of surplus labor led to the creation of private property and the idea

of private ownership. In their minds and actions, people began to make a distinction between self and others, individuals and society. To maintain, expand, and inherit wealth, those in possession of property, as strong elements in society, gradually established an economic system based on the private ownership of means of production. They also devised certain political, legal, and ideological systems to support that economic system. In such a social setup, those in possession of means of production were not only economic exploiters, but also political rulers. They not only increased their wealth by seizing the labor of others through their private ownership of means of production, but also used public power as a tool to maintain and expand their wealth. At that time, that is, when public power was used as a tool for expanding private wealth, political corruption came into being. It is, we may say, the exploiting ideology and system that fostered the corruption of power, the evil son of society.

## **II. There Are Two Types of Corruption, Nonsystem-Related and System-Related; We Cannot Use the Former To Negate the Latter**

Wu's article holds that "there is no sufficient historical ground to regard the exploiting system—and even the exploiting class and thinking—as the radical cause of corruption." Further, it says that the state powers in the three forms of society during the pre-socialist era, "though they preserved the exploiting system, class, and thinking, did have some legal systems to prevent corruption and ensure a clean government." Even though there were instances of rampant corruption in the past, "they were nevertheless exceptional cases in the history of countries in which the exploiting class existed." "Generally speaking, all those regarded as capable regimes in history were, without exception, opposed to corruption." "Throughout Chinese history, from the founding of the first slave-system state to the downfall of Chiang Kai-shek, the defender of the interests of landlords and the bureaucrat-capitalist class, there were too many corruption-free dynasties or governments to be cited." "Even the Qing government in its late years, when greedy extortion was a common practice and the dynasty was at the end of its rope, still wanted to punish, reprimand, and dismiss its corrupt officials."

Here, I think, two questions must be clarified: First, what were the real nature and condition of the corruption of the exploiting-class regimes in history? Second, what were the functions and roles of their anti-corruption theories, policies, and legal systems?

It is undeniable that in history there were clean governments and rulers, anti-corruption legal systems, and incorruptible officials. However, this does not indicate

the overall political condition at that time, nor can it be used to cover up that condition. It should be noted that the state powers in the pre-socialist era were all defenders of the interests of the exploiters and the exploiting system. Their relations with the broad masses of people were relations between rulers and the ruled, not between public servants and masters. Political systems and public power founded on such relations could only be instruments used by the exploiting class and a few rulers to gain private interests for themselves or for their own collectives. In no way could such political systems and public power become a guarantee for public interests. This was the case no matter what their government system was and in what way they acted.

In the political life of such societies, there were two different types of corruption: system-related corruption and nonsystem-related corruption. The former was the corruption permitted or connived at by certain sociopolitical systems. Under these systems, those in authority, or the ruling class, were given special power, and through this "legitimate" power, they could seize and use large amounts of public wealth in society and turn public interests into private interests as they pleased. Since corruption based on special power was permitted by the system, often the entire ruling class could exploit the public wealth. Therefore, such corruption was, in a certain sense, universal and sustained in nature and often found expression in the entire ruling class. Nonsystem-related corruption was those corrupt activities not permitted by the system. As nonsystem-related corruption was detrimental to the system, it was opposed by those representing the system. Of these two types of corruption, system-related corruption was fundamental corruption. Yet, in some people's minds, it is not regarded as corruption. What these people see is only nonsystem-related corruption. Fighting corruption advocated by historical rulers was, in most cases, aimed at nonsystem-related corruption. It was impossible for those rulers to do something against system-related corruption. For this reason, they could not radically eliminate corruption. As a matter of fact, almost all dynastic changes in Chinese history were due to the political corruption of the former dynasty, and the radical cause of such corruption was system-related.

Certainly, in old society there was no lack of theories, policies, and legal systems for preventing corruption. How should we appraise them? In the first place, I think we should acknowledge that some political powers or governments in history did pay fairly great attention to guarding against corruption, and their anti-corruption theories, policies, and legal systems did play a positive role in checking nonsystem-related corruption, opposing the abuse of power, safeguarding social stability, and

promoting social development. Second, because of the limitations due to their times, class, and understanding, all these theories, policies, and legal systems had an inevitable basic drawback—that is, they all dealt with symptomatic phenomena instead of tackling the root of the problem. While opposing and checking nonsystem-related corruption, they all protected and added to system-related corruption. As a result, none of them could radically eliminate corruption. Third, we should not overlook their shortcoming of divorcing theory from practice and their political hypocrisy. True, there were some insightful and sensible people in the ruling class who could see clearly and had excellent opinions about corruption and bitterly condemned this problem in society. But most rulers said more than they did. At the most, a farce was staged in which someone was punished as a warning to others. As for themselves, they continued their corrupt activities as usual. If we believe that their acts were right and that they did as they said just because we have read their writings and learned of their sayings, we will be too naive.

### III. Real Cause of Power Corruption

According to Wu's article, it is acceptable to use the theory that the root of corruption lies in the exploiting system to explain the corrupt phenomena in a society dominated by the exploiting class. However, the article continues, if we use this theory to explain the corruption in socialist society where the exploiting class no longer exists, the explanation cannot be tenable.

As a matter of fact, anyone with some knowledge of Marxism can understand why there is corruption in socialist society. Socialism has emerged from the womb of capitalism. Socialist society, as a transitional social form in the process where mankind is going from the class society to a superb classless communist society, inevitably carries the vestiges of the old society. And the perfection of socialist society is, without doubt, a gradually developing process. For this reason, socialism cannot all at once bury the old ideology, though it has overthrown the old political and economic systems. Besides, socialism is now still surrounded by rather strong capitalism. Especially in our present environment of reform and opening-up, negative things will inevitably come in and corrupt some people. This is why in socialist society, particularly at its initial stage, the ideology of the exploiting class still exists despite the absence of that class and the exploiting system. Also, the imperfection of our system provides room for the growth and spread of corruption. So there do exist instances where some people abuse public power for selfish ends—these exploiting acts are known as "corruption." To acknowledge this fact does not impair



the progressiveness of socialism. Socialism, which is based on public ownership and embodies distribution according to work, will not engender corruption as far as its essence is concerned.

Viewed from the actual social condition in our country, corruption appears under three specific conditions: 1) The selfish and exploiting ideas cherished by government workers, which are the cause of corruption; 2) the existence of public power, which is the tool of corruption; and 3) the imperfection of the system and supervisory mechanism, which makes it possible to abuse power for selfish ends and which suggests the methods of corruption. Without any of these three conditions, corruption is impossible.

Wu's article holds that where there is public power, there is corruption, and accordingly, public power is the radical cause of corruption. This understanding is very superficial. The knife can be used for homicide, but can we say that where there is a knife, there is homicide? Similarly, the existence of public power may produce corruption, but it does not necessarily mean that corruption will definitely appear. Public power may be used correctly; it may also be misused. Whether it is used correctly or not depends on who is using it and how it is used. This has nothing to do with public power itself. To pinpoint the radical cause of corruption, we can only find the answer from power users and the exploiting system. There is no other way.

From the perspective of who is using power, the swelling of selfish desire and the existence of the exploiting idea in the minds of power holders are the root source of their corrupt character. This is the internal cause of corruption. In real life, everyone will experience the contradiction between public and private interests, and power holders are no exception. The question is how to deal with this contradiction properly. Service rendered by government workers is rewarded by the state under a system established according to law. Even though such reward may vary with the different stages of seniority, it is by and large sufficient to effectively satisfy the normal needs of government workers. This is the due interest they deserve. If government workers go beyond this limit, and if, because of their swelling private desire, they seek to expand their private interest and attempt to acquire extra reward by taking advantage of their functions, acts of corruption will result.

From the perspective of how to use power, the imperfection of the system, law, and social supervisory mechanism is the social root that engenders corruption. This is the external cause of corruption. Some government workers can do corrupt things because they have op-

portunities to do so. These "opportunities" are provided by the imperfect system, law, and social supervisory mechanism.

In sum, the reasons for the current corruption of power are many. In dealing with this question, we should make a multilayer and multifacet analysis from the historical, current, social, and individual viewpoints. Even though corrupt instances still exist at present, we should not deny the fact that the exploiting system was the historical root of corruption. On the other hand, we should not ignore the existence of unhealthy factors leading to corruption at present because of the historical root of corruption. We should not ignore the social root of corruption because corruption can be engendered by the immorality of government workers. Nor should we absolve corrupt government workers on the excuse that corruption has a social root. By dealing with the question from a comprehensive, integrated, dialectical, and development viewpoint, we will be more objective and fair. As for combating corruption, we should, on the one hand, go all out to strengthen the ideological and moral education of government workers, criticize their old idea of using power for selfish ends, and urge them to foster a new mindset based on justice and unselfishness. On the other hand, we should energetically reform and perfect our system, improve the mechanism for selecting and supervising government workers, and build a strict and fair legal system. By taking a radical as well as a symptomatic approach to tackle the internal and external causes, we will be able to eliminate corruption and ensure a clean government.

### Military & Public Security

**\* Sichuan MD Commander Views Militia, Reserves**  
*95CM0183A Beijing GUOFANG in Chinese*  
*15 Feb 95 No 2, pp 19-20*

[Unattributed article: "Putting Time and Energy Into Stressing the Quality of the Militia and Reserve Forces—An Interview With the Commander of the Sichuan Military District, Major General Ding Zhaoqian"]

[FBIS Translated Text] "Do militia and reserve work with high standards to raise the national defense reserve forces to a new level." This was the dedication when Central Military Commission [CMC] Chairman Zhang Zhen came to inspect the Sichuan Military District [MD] organization. How do we make the CMC leader's inducement and request become reality and raise the national defense reserve forces throughout the entire province to a new level? Recently, this author interviewed the Commander of the Sichuan MD, Major General Ding Zhaoqian, on this issue.

Commander Ding, who is 55 years old this year, is tall and sturdy, quick witted, treats people kindly, is cordial, and has a sense of dignity. This old general, who has served in the military for 37 years, has been engaged in militia and reserve work for many years. He has experience working in both snowy highlands and interior mountainous areas. When talking about national defense reserve forces in current and future periods, Commander Ding is very familiar with the subject, has a clear train of thought, and has a unique point of view. He said that the major political policies of the Chinese Communist Party Central Committee [CPCCC], State Council, and Central Military Commission have already been set. The key issue is to stress implementation in light of Sichuan's actual conditions. According to the request brought forward when the CMC leader inspected our district, and proceeding from the actual requirements of high technology warfare, we should insist on high standards and put forth great efforts to stress quality.

Commander Ding believes that stressing the quality of reserve forces is of primary importance to improving the quality of all reserve soldiers. Under the premise of strengthening the political construction of militia and reserve forces and ensuring that their politics are up to political standards, we must stress enhancing modern warfare, especially research into the methods of warfare, and training of militia and reserve forces during limited warfare under high technology conditions. We should continually improve the capacity of the militia and reserve forces to fulfil combat missions to adapt to the requirements of future high technology limited warfare. Next, we should stress militia contingency squads, specialized technicians, and reserve forces. Speaking regionally, we should stress the combat readiness of militia and reserve work in key regions, large and medium-sized cities, and minority regions. Speaking in terms of work tasks, we should stress the "three realities" of basic militia work and stress such things as militia cadres, contingency squads, and training of specialized technicians.

In recent years, we stressed basic constructions, such as county (city) people's armed forces groups, weapons repositories, training bases, and maintenance of the armed forces through labor in accordance with the characteristics of Sichuan, such as many people, a vast area, weak foundations, and numerous minorities. On this basis, we must again stress trying to find the optimal point for directing efforts and for integrating the work of the new-era militia and reserves and other such issues to make the various concerning the quality of the militia and reserve forces during participation in local economic construction and the comprehensive administration of social public order achieve adequate

resolution. Third, we must insist on stressing the basics from start to finish so that the "three realities" of militia work genuinely become reality.

In the past few years, we faced problems such as the militia leaving service often and many new economic organizations being created but inadequately implemented by certain areas and unit militia organizations. We stressed basic organization and particularly emphasized the issue of handling the reorganization of the militia. To this end, during reorganization, in strict accordance with its steps and procedures of reorganization, we earnestly organized implementation and resolutely corrected the appearance of things such as working behind closed doors and slackness to ensure the quality of the reorganization. At the same time, we stressed the national large and medium-sized enterprises of the militia reorganization and promptly set up militia organizations among town and township enterprises and newly-established enterprises under suitable conditions. Politically, we placed particular emphasis on political instruction of the militia.

To this end, specialists formulated and promulgated "Ways to Implement the Political Instruction of the Sichuan Provincial Militia." This served as the foundation for the grass-roots level launching of the militia's political instruction. During the implementation process, we also placed particular emphasis on the political instruction of the militia in key regions and minority areas. In terms of military training, we stressed the "four realities" of training: personnel, time, content, and quality. We persisted in embracing programs for carrying out training and essentially achieved one for training, one for qualifying, and one for reserving. In the management of the uses of county-level militia training bases, we especially stressed ensuring that the militia and reserve force training bases be used mainly for military training in strict accordance with the pertinent regulations of the CMC and General Staff Department. Under the premise of ensuring completion of training tasks, we used the bases to conduct activities for maintaining the armed forces through labor, however the income earned must be used mainly for the military training of the militia and reserve forces and improving the construction of infrastructure. In order to enhance management and ensure implementation of training, we formulated a "How to Manage the Use of Militia Training Bases." Through these measures, we vigorously promoted the quality of militia and reserve forces.

In talks thus far, Commander Ding has especially emphasized that the most crucial thing in stressing the basic quality of militia and reserve forces is to firmly establish a "frontline headquarters." He said that county, city, and local people's armed forces units are the

"frontline headquarters" for militia and reserve work. The quality of the role reserve forces play is directly related to the level of the "frontline headquarters." In order to stress the "frontline headquarters" concept, we stress three aspects of work based on characteristics of Sichuan.

First, leading bodies and cadres must be well established, including especially a good mix of army and government participants. County (city) people's armed forces units have been under local control for over eight years. We must establish people's armed forces cadre focusing on location. Every year we must carry out major checks of the over 200 people's armed forces units throughout the province. We must promptly rectify and correct within a certain time frame those that have lacked unity for long periods and leading bodies of people's armed forces units that are not getting the job done. We must promptly adjust those that are slow in making changes. At the same time, we must stress exchanges of people's armed forces cadres among the pertinent local departments. We must select several professionals who are young, understand the military, and are talented, as well as cadres who ardently love people's armed forces work and allow them to serve in people's armed forces units in place of those who are old, have no profession, and have not worked in military units.

Second, we must ensure people's armed forces cadres do their militia and reserve work very energetically. The provincial MD and MD sub-districts, from one angle, must enhance the ideological instruction of people's armed forces cadres and guide them in establishing a professional consciousness. They must strengthen their sense of mission and sense of responsibility for doing militia and reserve work. From another angle, we must initiate more dissemination to local party committees and governments and clearly explain the work tasks and nature of the people's armed forces. We must ask them to consider as much as possible the working characteristics of the people's armed forces when arranging the work of subordinates. This will ensure that people's armed forces cadres do militia and reserve work very energetically.

Third, we must place much emphasis on standardization of people's armed forces units. In light of the fact that some people's armed forces units appeared to have lax management after they were transferred to localities, the provincial MD and MD sub-districts formed working groups on several occasions to help them consult military rules and regulations for carrying out management. They established a standard order for combat readiness, training, work, and living which

allowed them to maintain the nature of a military organization and establish a good self image.

When the interview concluded, Commander Ding said with full confidence: "Along with the thoroughness of our country launching reforms and the growth of the socialist market economy, the quality of militia and reserve forces will inevitably encounter numerous new situations and new problems. But as long as we steadfastly adhere to the guidance of Comrade Deng Xiaoping's concept of the theory of socialism with Chinese characteristics, and we boldly explore, have the courage to put into practice, and truly stress doing the job right in accordance with the established policies of the CCPCC, State Council, and CMC concerning reserve forces, militia and reserve work will certainly rise up to the next level step by step and will be soundly on the way to a bright tomorrow."

**\*AMS Journal on 21st Century Naval Warfare**

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[Article by Shen Zhongchang (3088 0022 2490), Navy senior colonel and director, Navy Military Academy Research Institute; Zhou Xincheng (0719 2450 0524), Navy Military Academy Research Institute staff officer and Navy lieutenant; and Zhang Haiying (1728 3189 7751), Navy Military Academy Research Institute staff officer: "A Rudimentary Exploration of 21st Century Naval Warfare"; journal is sponsored by the Academy of Military Sciences (AMS)]

[FBIS Translated Text] The war between Greece and its dependency Corfu Island in 664 BC was the first naval battle with a reliable recorded history. Since then, naval warfare has been through the wooden-warship age, the sail-warship age, the steamship and large-ship cannon age, and the guided missile warfare age. With the seas and oceans always having been directly tied to mankind's vital interests, they are going to be so tied even closer in the 21st century. In the last decade or two, ever-growing numbers of countries have been realizing the importance of the seas and oceans as a "21st-century resource" for human survival and development. As all countries gain a stronger sense of the values, rights, and interests of the seas and oceans, disputes over matters such as maritime economic zones, continental shelves, and sea-area boundaries are likely to intensify, thus making it hard to prevent sharper conflicts and even outbreaks of war. Today, as we are about to enter the 21st century, we need to search naval warfare history and realities for the naval warfare development track of the new century. And as the 21st century is also going to



be an age of rapid scientific change, with certain cutting-edge technologies likely to be applied first to naval warfare, we need to forecast and explore 21st century naval warfare from the perspective of the coming trends in scientific and technological change.

**I. Naval Warfare Development Trends of Greater Depth and More Triphibious and Multidimensional Operations Are Going To Develop in a Battlefield Climate of Land-Sea, Land-Air, Surface-Undersea, and Sea-Space Integration and Full-Space Electromagnetism**

By now, warfare has been through the cold arms, hot arms, thermonuclear arms, and high-tech arms stages. As we have seen scientific and technological advances steadily expand the scope of deployment of combat forces, with armed attack and destroy might growing steadily, battlefields are developing from single to multidimensional, little to greater depth, small to large triphibious operations, and relatively fixed to uncertain battle lines. The battlefield scope in the next century is also going to expand sharply, with the major fields of expansion being space, undersea, and electromagnetic space. The use of high-tech arms will make direct attacks on naval battlefields possible from outer space, remote atmospheric space, and remote land bases, while the improvement in long-distance mobile combat capacity at sea will expand the control and attack range of naval warfare. Naval warfare space is going to expand unprecedentedly.

Future naval warfare will show the following engagement conditions: In land-sea combat, naval surface ships, submarines, carrier-based aircraft, and possibly other new service arms will generally have the capacity to conduct strategic offensive attacks in great depth and even against intercontinental land-based targets. And as land-based arms will be sharply improved in reaction capacity, hit precision, and range, they will be able to powerfully strike and intercept formations at sea, and even individual warships and cruise missiles. In sea-air combat, electronic warfare and missile strikes, particularly long-distance strikes by warships, their carrier-based aircraft, and aerial combat fighters, will become the essential forms. Submarines will be capable of making missile strikes on air targets. Sea-air combat will also develop in the direction of low- and superlow-altitude engagements. In surface-undersea combat, as submarines have resolved technically the obstacles to very deep operations, their higher capability in very deep communications and ability to monitor and reconnoiter submarines and surface ships will sharpen surface-undersea confrontations. While the submarine will rise in status to become a major naval warfare force,

the development of antisub reconnaissance and combat methods will sharply restrict the future activities of submarines in shallow-water zones, underwater levels, and continental-shelf zones. The appearance of underwater aircraft carriers and undersea mine-laying robots, and even the construction of seabed military bases, will all sharpen surface-undersea combat. In sea-space combat, space-based methods and forces are going to have a very conspicuous status in future naval warfare.

For thousands of years, the theory of "mastery of the seas" has always been praised as the infallible law of decisive naval engagement. But as aircraft carriers and carrier-based aircraft have appeared, the theory that "without mastery of the air, there is no mastery of the seas" has found favor throughout the world. Since the 1970s, "electromagnetic dominance" has also been held to be crucial to naval victory. By the next century, as high-tech space technology develops, the deployment of space-based weapons systems will be bound to make "mastery of space" and "mastery of outer space" prerequisites for naval victory, with outer space becoming the new commanding elevation for naval combat. All spacecraft, including military satellites, space shuttles, and permanent space-based platforms, will observe and control maritime operations from high altitudes, with space-based weapons systems probably directly attacking and intercepting warships and their cruise missiles. But ships at sea will take stronger antireconnaissance steps, probably constituting along with seabed military-base weapons platforms for direct strikes against space satellites and other space systems. The electromagnetic battle will densely cover all naval battle space, penetrating all combat operations. The side with electromagnetic combat superiority will make full use of that invisible "killer mace" to win naval victory.

In short, on the 21st-century naval battlefield, undersea, space, outer space, and electromagnetic space will all become complicated technical fields. Their mutual independence and limitations, with mutual impact and roles, will make future naval battlefields ones of integrated sea-land, sea-air, surface-undersea, and sea-space combat operations, putting the combat activity in sea-land, sea-air, surface-undersea, and sea-space confrontations into a state of alternating and intricate military struggle.

**II. Large-Scale Appearance of New Weaponry Will Speed Up Change and Renewal of Traditional Naval Combat Forms, With Long-Range Warfare Becoming the Key Naval Warfare Form**

In the 21st century, the development of a host of new science and technology fields and new sciences will certainly speed up the development of naval weaponry. 1) Nuclear technology will be widely used in naval arms

power systems, as the grounds for supporting the development of larger naval ships. That will enable naval outfits to carry larger quantities and types of weapons systems and electronic equipment, providing solid grounds for making naval warships faster, larger, and more electronic, with more missiles, more aircraft capacity, and longer range. 2) Microelectronic technology will make warships essentially electronic, with the next century bringing widespread consideration of electronic equipment first in warship construction, to make ships and their weapons systems smarter. 3) Personal technology will grow sharply, with personal antiradar, antiradar, antiradar, antiradar, and anti-electronic reconnaissance being widely deployed in naval ship, ship-based aircraft, and guided missile equipment (including new naval service arms), and naval ships and cruise missiles becoming stealth capable. 4) Infrared technology will be widely used as a naval offensive and defensive means, being able to find and distinguish targets earlier, as well as providing all sorts of data for central intelligence and command systems. 5) Precision guidance technology will sharply raise the hit precision of all naval weaponry, to genuinely achieve "discovery means a certain hit," as well as being applied to long-range precision strikes. 6) Satellite technology will be fully emphasized by all countries, with systems such as the satellite-based C<sup>3</sup>I and C<sup>4</sup>I systems, the GPS [global positioning system] navigation positioning system, remote sensing technology, space-based attack systems, and space-based, large-scale monitoring and warning systems being used by most maritime countries. Satellite technology can, in the future space development process, ensure free naval action and naval competition in this, and control operating command authority in the space affecting naval interests. 7) The development and use of superconduction technology have brought superconductor ships to the naval order of battle, enabling ships to travel faster without noise, and bringing a quality leap to naval combat capability. 8) New materials technology will make it possible for undersea weapons systems, particularly deepwater arms systems, to form a complete system. Submarines will be able to go faster and deeper, with the sea bed being the ideal place to build seabed military bases. 9) Laser technology will be used practically, making it possible to put into service tactical laser weapons with the technology to cause personnel injury and blindness and weapons damage, which is likely to be used first in antiship missile defense systems.

In addition, marine environment technology will also be employed by the navy. In short, the new naval-warfare weaponry will have six features: 1) Its reconnaissance and observation equipment will be improved, with long-range observation, precise target discovery, and integra-

tion with guidance systems, for an improved weapons-system reaction rate. 2) The antipersonnel force of arms will be sharply higher, with a significant improvement in destructive form. 3) Naval combat forces will have rapid mobility, expanded operational scope, and shortened success time. 4) There will be a marked improvement in protective and survival capabilities. 5) Emphasis will be placed on developing electronic jamming and attack systems. 6) All-dimensional space will be brought into naval warfare service. So it could be said that smarter, more electronic, and more personal systems will be the basic development trends of coming naval-warfare arms.

The appearance of this new equipment will certainly pose a grim challenge to traditional marine strategies, naval warfare campaigns, tactical theory, and naval warfare patterns. On the 21st-century naval battlefield, there will be more long- than short-range combat, with more missile combat than gun battles, electronic warfare across the whole battlefield, and both combatants making full use of smart weapons and drawing on modern command methods of fighting. In future naval warfare, the multidimensional battlefield will reveal naval targets and the marine battlefield perspective, making it impossible for surface ships without air force cover to operate in high-threat maritime zones; in-depth strikes by shipboard aircraft will also be unable to do without support and safeguards in the fields of outer space, the atmosphere, and electromagnetism, with a particular need to organize thorough electromagnetic convoys. As future naval forces will be stereoscopically surrounded by air, surface, undersea, space, and electromagnetic threats, naval warfare will put more emphasis on diversified, three-dimensional, and composite service arms, which will constitute the basic form of 21st-century naval warfare. No matter how powerful the isolated service arms, ship types, and power systems, they will be victorious only by luck in the coming highly electromagnetic and high-threat environment.

In 21st century naval warfare, tactics will change sharply, with new tactical types proliferating and being used more flexibly and changeably. The method of using the tactical mobility of all sorts of weapons-delivery platforms to first seize advantageous positions and then attack will likely become backward or even disappear, with long-range battle forms such as "remote grappling" and "super-vision attacks" becoming the key forms of battle in future naval warfare (such as attacks against surface ships, missile defense, air defense, and strikes on land- or space-based targets). From the local wars since the 1980s, particularly the mostly high-tech Gulf War, it is not hard to discover that trend.

In coming naval warfare, long-range battles will become the major form of battle mainly for the following reasons: 1) Weaponry developments will make remote warfare not only possible, but also essential. 2) Remote warfare can achieve better operational results. 3) Remote warfare more easily achieves first-strike concealment and surprise. 4) Remote warfare can strike more targets on a broader and deeper scale. As the possibility of remote warfare and more powerful weapons can make conventional tactical naval strikes universally achieve their campaign-strategy objectives, future naval warfare campaigns and tactics are likely to be integrated in many cases.

**III. As Naval Warfare Input and Expenditure, Antipersonnel Destructiveness, Effectiveness, and Suddenness Will All Be Sharply Higher, Speed Against Speed Will Become the Crux of Naval Victory, With Naval Battles Being Mostly of Medium and Small Scale**

High-tech weaponry is dozens or even hundreds of times costlier than ordinary weaponry. In 21st-century naval warfare, while the use on the naval battlefield of large amounts of high-tech weaponry will raise troop operational efficiency, the material input and expenditure will also be unprecedentedly higher. In the recent Gulf War, the multinational forces headed by the U.S. used over 20 new types of missiles and nearly 10 types of precision guided bombs, with guided weapons undertaking almost 80 percent of the assault missions, for ideal combat success. The expenditures on both sides were enormous.

In the next century, as technologies such as electronics, lasers, and new materials are further improved and developed, directional weapons such as lasers, particle beams, and microwave beams will also be employed in naval warfare, with naval warfare weaponry movement and development rates faster, hit precision higher, and antipersonnel threat greater. With much weaponry being guided, personal, and smart, and command and control being automated, that will raise mobility and hit precision. The high input, high expenditure, and destructiveness of warfare will force coming naval warfare to be more time effective, shortening sustained time, speeding up the rhythm, and making battlefield conditions sharply changeable. The content of both sides' forces in naval warfare will change quickly, with belligerent stances also changing in a short time.

S&T developments are making the world smaller. As growing world economic integration more easily subjects naval warfare to economic, political, and diplomatic limitations, shorter battle times and controlled belligerency scales will be bound to become new re-

quirements for coming naval warfare. When a naval war starts, there will be an attempt to end the fighting before the other side makes an all-out military response, to keep from subjecting national human and financial resources to the huge battle expenditures from sustained combat. So 21st-century naval battles will break out much faster, with suddenness likely to play a decisive role in winning wars. Lightning attacks and powerful first strikes will be more widely used in coming naval battles. As both sides will strive to make lightning attacks and raise their first-strike damage rates, while doing all possible to organize a rapid and effective counterattack, speed against speed will become the crux of future naval victory.

In the age of peace and development, the limited objectives of coming naval warfare will restrict the scale of battle. As the high input, high expenditure, and time effectiveness of naval warfare will all make control of the future naval warfare scope not only possible but also essential, it will be very hard to see in coming naval battles the past grand scenes of "decisive fleet engagements." As the battle form and strategic order change, there will be little naval warfare beyond the battle scale, with ever-growing numbers of medium and small and high-tech, low-force maritime conflicts. But that certainly does not exclude the possibility of large-scale naval warfare. This is because the following conditions will still exist in the next century: 1) In medium and small naval battles, as both sides might be balanced, meaning no quick victory, one side might sustain great damage, causing a large-scale retaliatory naval war, or one side might be unable to achieve its battle intentions, yet refuse to quit fighting. 2) With the glaring conflicts in world maritime development and delimitation, once they intensify, that might lead to naval warfare. 3) Large-scale naval developments will provide the force grounds for and possibility of large-scale naval warfare.

**IV. With Naval Warfare Putting More Emphasis on the Speed and Quality of Participating Force Coordination, an Optimized Force Structure Will Be a Crucial Prerequisite for Naval Victory**

The history of 20th-century naval warfare was one of steadily growing force coordination. In the 21st century, the development of operational means, with combat forces being highly mobile, most forces capable of being deployed quickly to make a timely response, and the joint impact of the multidimensional battlefield and force utilization will require all forces taking part in naval engagements to quickly get into a favorable battlefield stance, as well as adjusting their might at any time to steadily maintain their force superiority. That



will require the participating forces to have a very high coordination capacity, paying attention to coordination accuracy and operational-time planning. In naval warfare, it will be necessary to coordinate naval surface ships, submarines, air forces, marines, and other new service arms and combat troops, as well as land, air, and space forces. As only the matched integration of naval, air, space, land, undersea, and electromagnetic fields and multidimensional participating forces can form a partial or overall advantage, coordination accuracy and response speed and quality will be an essential factor in future naval victory. In the Gulf War, the effective cooperation of the multinational naval forces with air, land, and other forces proved this point. In coming naval battles with multiple participating service arms and intricate and diverse weaponry, even small-scale naval battles will need multi-level, highly accurate, and effective coordination.

Future high-tech developments will bring a crucial change to naval composition, with the naval force structure being sharply adjusted to meet naval warfare needs. 1) Streamlining will eliminate unnecessary intermediate links, ensuring command effectiveness and efficiency. For instance, the U.S. Navy's land command agency has installed many command agencies on ships, no longer using a separate shore command, to reduce command levels, which structure is very likely to become the generally used battle-command form of the future. 2) The force establishment system will be optimized. With the navy being a developing service arm, the future is going to see certain new service arms, such as special naval units, deep-sea troops, rapid response and deployment troops, robot units, high-performance fleets, electronic warfare troops, flight-instrument units, and even space troops. Meanwhile, certain traditional service arms and units will have less status and a less important role, being eliminated, shrunk, or merged. For instance, shore defense units will be incorporated into the army establishment. 3) Crack-troop compositions will raise combat capability. Due to the sharp increases in future weaponry automation and fighting efficiency, while relatively fewer personnel will be needed, they will have to be of higher quality, with the inevitable trend being crack troops and weapons forming naval superiority. The coming naval warfare force organization will grow ever smaller and more multifunctional. During World War II, while a carrier battle fleet normally was composed of three to five carriers and a corresponding number of surface ships, submarines, and other protective ships, the modern carrier fleet is made up of generally only one or two carriers.

#### **V. Systematic "Soft Casualties" Will Become a Key Link in Coming Naval Victories, With the Rivalry**

#### **Over Electromagnetic Space More Important Than That Over Maritime, Air, and Geographic Space**

In the 1970s and 1980s, the emergence of precision guided weapons, high-efficacy bombs, "smart" bombs, and "ingenious" bombs brought a sharp rise in the "hard casualty" capability. And "soft casualties," characterized mostly by electronic jamming, also showed new might. At present, studies and applications are developing rapidly in the use of high-tech methods such as biochemicals and electronic, radio frequency, and secondary waves for "soft casualties" against weapons systems and personnel "internal organizations." Ever-diversifying "soft casualty" means in the 21st century are likely to become more perfected, with their antipersonnel effects making it ever-harder for certain hard-strike weapons to keep up, as well as making protection correspondingly more difficult. The widespread use and efficiency of "soft casualty" weapons in coming naval warfare will have a crucial impact on war at sea.

"Electronic technology" casualties: Modern, high-tech, local wars often start with an electronic battle, as well as occurring in a dense, complex, and changeable electromagnetic environment. Future combat systems, especially command and weapons systems, will grow ever more dependent on electronic technology. Many international figures hold that the development of electronic technology in future wars will be no less important than that of the atomic bomb during the Second World War. After a comprehensive overseas weighing of all S&T factors affecting overall military combat capability, or the eight criteria of deterrence, interchangeability, economics, comprehensiveness, long-term effectiveness, possibility, technology and capacity, and adaptability, it has been noted that electronic technology has the most impact. At present, the more advanced naval ships and aircraft are equipped with electronic warfare instruments, in some cases forming a comprehensive electronic warfare system. Maintaining efficient communications with and effective command over troops is a prerequisite for the use of naval force; as using guided weapons to attack enemies is a basic means of naval attack, the "electromagnetic" advantage will become the focus of rivalry between belligerents. The Gulf War showed that electromagnetic dominance is a prerequisite for control of the air, sea, and battlefield. The more electronic and smarter naval equipment, combat command, and information control of the 21st century will pose very high demands on electromagnetic dominance. Steadily developing "electronic warfare technology" equipment and new means of electronic confrontation will push electronic warfare at sea to new heights. Before long, systems such as the C<sup>3</sup>I multifunctional confrontation system, comprehensive combat ships, and

enormously powerful electronic confrontation neutralization aircraft and computer "coded virus" confrontation systems will play a joint role in the electronic confrontations of naval warfare.

"Secondary wave radiation" casualties and "beam-capable weapon" casualties are "soft casualty" categories now under development. As such beam-capable weapons are now being developed very quickly, they are expected to be put into the testing stage early in the next century. With future "soft casualties" not only coming in many forms, but also being easy to use, the defensive difficulty will grow steadily. The ingenious "soft casualties" of naval warfare combined with fierce "hard strikes" is an unavoidable development trend.

#### **VI. With Naval Warfare Command, Control, Communications, and Intelligence Systems Developing in the Direction of Sea, Land, Air, and Space Integration, Command and Control Will Grow in Complexity**

As 21st-century naval warfare will be a coordinated operation of triphibious, comprehensive, and multiservice-arm operations, naval commanders will have to have an overview of the whole battle, quickly learning about ever-changing battle conditions, computerizing, analyzing, and judging data to make a quick response, and commanding troop coordination in a timely and accurate way. This will tie command, control, communications, and intelligence systems into a tightly connected whole, giving it advantages such as remote operation, good communications secrecy, and fast data processing, so that it can be applied to both strategic command and battle-tactics command, and even command of individual ships, planes, and troops, thus ensuring battlefield-command efficiency, continuity, stability, and flexibility. And that will play a crucial role in the rivalry over naval dominance.

Since the C<sup>3</sup>I system was established in the early 1980s, it has played an enormous role in several recent local wars. In coming naval warfare, on one hand, the participating forces will be more complex in makeup, putting high demands on overall coordination, and even higher demands on better centralized command and control for better overall command efficiency. On the other hand, the development of the C<sup>3</sup>I system has provided powerful means for better command efficiency, thus driving battlefield command and control to develop in the direction of more automation. While this will speed up the integration of command, control, communications, and intelligence systems, along with raising command and control efficiency, it will also increase command and control complexity. 1) It will make command and control activity more dependent on automated and elec-

tronic equipment, while the extent of automation and the complexity of electronic equipment and procedures will increase simultaneously. 2) As the C<sup>3</sup>I system will be the "nerve center" and "force magnifier" of coming naval warfare, it will be bound to become a crucial item in jamming and attacking opponents. As this will give command, control, communications, and intelligence systems more confrontational capability, it will make command more complex and difficult. 3) As coming naval warfare will involve enormous amounts of information, putting higher demands on the effectiveness and accuracy of the C<sup>3</sup>I system, it will sharply increase battlefield command and control difficulty.

#### **VII. Naval Warfare Logistics Security Will Be Difficult and Complex**

The enormous destructiveness of coming naval warfare, with extensive spatial limits, diversified participating service arms, and rapid naval warfare development, will make it more dependent on logistics security.

1) Naval warfare will put extremely high demands on battlefield-technology security. As the navy is a technically-complex service arm, with future naval weaponry having higher comprehensive operational capacity and power, spurring weaponry makeup to be more precise and complex, the technological features of naval security are going to become more evident in the next century. In addition, as higher precision, newer technology, and greater destructiveness of naval weaponry will also sharply raise the battle damage rate of naval weaponry, wartime will mean expending large amounts of human and material resources on weapons maintenance and upkeep, which will necessarily make battlefield technical-security harder. 2) Logistics survival will face a great challenge, making logistics security harder. As high technology has given the battlefield all-dimensional monitoring and deep strike capability, future maritime supply lines and logistics security bases will find it hard to survive, with a stiff challenge being posed not only to maritime security operations, but also to logistics base protection. It will be very hard to organize and effect maritime logistics security, to raise logistics-security efficiency and reliability and ensure a high survival rate for logistics systems. 3) The diversification of the large amounts of material consumption and security will add to the difficulty and complexity of logistics security. Coming naval warfare will sharply increase the load on combat logistics security. The Gulf War's daily ammunition expenditure was 4.6 times that of the Vietnam War and 20 times that of the Korean War; its oil consumption was over \$26 million, for oil consumption of around 19 million gallons a day. And in the several local

wars previous to that, material consumption was also enormous. Material consumption in coming naval wars will be not only large in volume, but also diverse in category and level. And that will put even higher demands on logistics-security, effectiveness, and comprehensiveness.

With naval warfare having developed and changed enormously in this century, its development and changes in the next century are going to be amazing. While there might not be much difference in the stage of naval warfare from the closing years of this century to the

early ones of the 21st century, naval warfare in the 21st century will generally be bound to bring a historic change, changing in traditional appearance to confront the people of the next century. Today, while our forecast of the major issues of 21st-century naval warfare is subject to time limitations and cannot exclude mistakes, we can make use of a rational forecast to understand future naval warfare and guiding our study of related naval warfare matters to proceed actively with our future naval force establishment and battlefield preparations.



## Agriculture

### \*Impact of Financial Reforms on Agriculture

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[FBIS Translated Text] Public finance has always been vitally important to agriculture, the countryside, and the peasantry. The latest round of financial reform, including the tax-separation system, will have an enormous impact on agriculture and rural economic development. This article concentrates on analyzing its impact in the following three areas:

#### I. Impact of Tax-Separation System on Agricultural Investment

The state of agricultural investment has been cause for concern in recent years. The trend is for all principal investors, including finance agencies, banks, rural collectives, and individuals, to cut back on agricultural investment, a trend that will significantly weaken the staying power of agricultural development. For this reason, making sure that there are funds to invest in agriculture is of critical importance to ensuring steady agricultural growth in the medium and long term.

The tax-separation system is a mixed blessing for the future of agricultural investment, and one cannot be optimistic about its impact. Basically, we believe that whatever impact the tax-separation system may have on agricultural investment will largely manifest itself as what the Ministry of Finance and its local counterparts do to support agriculture. As a result of the tax-separation system aimed at adjusting the distribution of interests among governments, there will be two kinds of shift in agricultural spending by the Ministry of Finance and local finance departments. Local investment in agriculture, already on a downward slide, may continue to decline steadily, a development that should be viewed with heightened vigilance. Below is a detailed analysis.

**First, as central financial resources are enhanced relatively in the years ahead, its agricultural investment will continue to increase steadily in a sustained manner.**

In the dozen years since reform got under way, the Ministry of Finance has managed to stick with a distribution policy that is biased in favor of agricultural investment even in times of soaring deficits, mounting debt, and fiscal stress. In fact, starting with the Seventh Five-

Year Plan it has boosted the size of agricultural investment with the establishment of the "special grain production development fund," "agricultural development fund," "special agricultural construction fund for the Three-Xi region," and "interest-subsidized loan fund for the poor." Statistically, agricultural spending (including funds to aid agricultural production, funds to defray the operating expenses of agriculture-and forestry-related irrigation and meteorological projects, spending on agricultural capital construction, agricultural working funds, and the three kinds of agricultural scientific and technological [S&T] expenses), by the Ministry of Finance totaled 10.35 billion yuan, 3 percent of total government spending, during the Sixth Five-Year Plan, and rose to 26.94 billion yuan, 4.9 percent of total government spending, in the Seventh Five-Year Plan. Specifically, agricultural capital construction appropriations by the central government amounted to 6.675 billion yuan in the Sixth Five-Year Plan and 14.111 billion yuan in the Seventh Five-Year Plan, up 47.6 percent and 212.2 percent respectively, from the 4.52 billion yuan spent during the Fifth Five-Year Plan. Agricultural capital construction appropriations accounted for 4.5 percent and 6.2 percent of total government spending on capital construction during the Sixth and Seventh Five-Year Plans, respectively, compared with a mere 3.77 percent in the Fifth Five-Year Plan. This shows that for a prolonged period of time in the past the central government was serious about allocating funds to agriculture. This seriousness played an important role in preventing too deep a drop in overall government investment in agriculture and promoting agricultural production development in the period concerned.

Looking toward the future, the tax-separation system bodes well for further boosting agricultural investment by the central government. In other words, instead of weakening the upward trend described above in central aid-agriculture spending, the tax-separation system will actually reinforce it. This is why: 1) Augmenting agricultural investment is a principal tool available to the government to protect and support agriculture. It is also an essential responsibility of the government as the regulator and controller of the macroeconomy. Agriculture is a weak link in China's national economy today and will remain so in the medium and long run. As such it is one area where our efforts should be redoubled as we take the next step to adjust the industrial structure. Agriculture is also a key industry that needs government protection and support in the course of developing a market economy. Given this situation, it is imperative that the central government, as the lead regulator and controller of the macroeconomy, further enhances its awareness of protecting agriculture and increases agricultural investment. Only when the

central government does that can it live up to its duties and responsibilities, and only then will stable agricultural development be given the safeguards it needs.

2) The tax-separation system redistributes interests among governments, making it possible for the central government to boost agricultural investment. Central financial resources had been declining steadily in relative terms for many years in the past, mainly because of the inequitable way in which the increase in revenue was distributed among the various levels of government under the old system, with the central government receiving an overly small percentage. Between 1987 and 1992, government revenue, excluding domestic and foreign debt, increased 22.7 billion yuan annually on average. Yet central revenue rose only 6 billion yuan, with 74 percent of the additional revenue going to the localities. The latest round of tax reform, including the tax-separation system, targets only the additional revenue, while leaving the existing amount untouched. Because of this feature, it will help bring an end to the inequitable distribution pattern described above and channel a larger share of revenue into the local coffers. According to projections by the Ministry of Finance, the central government stands to receive slightly more than half of the additional revenue derived from the value-added tax [VAT]. Together with the steady increase in its regular revenue, this additional income should boost the central government's share of total revenue to 60 percent in five to six years, laying the necessary financial groundwork for additional agricultural investment.

3) Distribution of funds under the 1994 central budget works to the advantage of agriculture. On the one hand, the level of aid-agriculture spending in the budget meets the requirement in the Agricultural Law that it exceed the increased rate of regular revenue. On the other hand, the budget unveils a number of measures aimed at increasing agricultural investment. For example, it creates a grain-risk fund, raises the amount of funds set aside to finance the work-in-lieu-of-relief program (it is scheduled to go up 1 billion yuan each year through 2000), increases the comprehensive agricultural development fund from 1.7 billion to 1.9 billion yuan, and includes other measures to help money-losing grain enterprises gradually erase their bad debts. All this shows that the central government will continue to consider agriculture a priority in the post-tax-separation era.

**Second, local revenue growth will slow down and local government investment in agriculture may continue to decline proportionately.**

Even as agricultural investment by the central government increased steadily in recent years, total government investment in agriculture fell as a share of all investments. In 1990, government aid-agriculture funds amounted to 30.784 billion yuan all told, up from 14.995 billion yuan in 1980, but accounted for just 8.9 percent of total government spending, down from 12.4 percent a decade ago. The main reason is that local government investment in agriculture has been slipping continuously in relative terms in sharp contrast to the growth of local financial prowess. Data indicate that local revenue increased almost four-fold between 1981 and 1992, from 43.078 billion yuan to 213.841 billion yuan. Its share of total government revenue during the same period also increased close to 19 percentage points, from 42.4 percent to 61.4 percent. However, the share of local spending going to agriculture dropped. During the Sixth and Seventh Five-Year plans, miscellaneous agricultural investment by local governments stood at 55.44 billion yuan and 89.62 billion yuan respectively, or 15.6 percent and 10.6 percent respectively of total local government spending for the periods in question. Specifically, local agricultural capital construction funding plunged from 19.28 billion yuan in the Fifth Five-Year Plan to 9.182 billion yuan and 10.656 billion yuan in the Sixth and Seventh Five-Year plans respectively. During the two latter plans, local agricultural capital construction spending made up 14.3 percent and 12.5 percent respectively of total local capital construction spending, down from 24.1 percent in the Fifth Five-Year Plan.

What is worrisome is that the downward trend in local aid-agriculture spending may continue even after the tax-separation system goes into effect. There are two major considerations here. For one thing, although it is the responsibility of local governments as well as the central government to protect agriculture, they will continue to pass the aid-agriculture buck to the central government because the latest tax reform basically does nothing to redistribute functions and responsibilities between the central government, on the one hand, and local authorities, on the other. The real issue here is that agricultural investment requires long lead times and the return to investment ratio is low. This is the underlying reason why agriculture needs protection. It is also why localities balk at boosting investment in agriculture. This being so, the incompatibility between the macroeconomic regulatory and control objectives of central and local government behavior will remain in the future as far as agricultural protection is concerned. For another, local government revenue growth is now in for a period of deceleration as a whole, which militates against any effort to increase agricultural investment. Year after year in the past, localities enjoyed

an overwhelming edge in the distribution of the increase in overall government financial resources. Not anymore.

Following the introduction of the tax-separation system, major changes are afoot in the distribution pattern described above. To protect local vested interests, the latest round of tax reform has left the spending-base figures intact. Moreover, by developing their economies and improving tax management and collection, local governments will continue to see a substantial increase in their revenue. Nevertheless, now that the central government has its hands on the major taxes and enjoys an absolute edge in the distribution of revenue generated by shared taxes, it will inevitably be the winner in the distribution of all additional government revenue in the future. This determines that local revenue will not increase at the extraordinary rate it did in the past. On the contrary, local revenue is bound to moderate its pace of growth in the days ahead and decline as a share of total government revenue. According to projections by the departments concerned, under the new tax system local revenue will account for 40 percent of total government revenue in five-to-six-years time, down from the current 60 percent. Of course, a majority of the financial resources turned over to the central government will be returned to the localities through the tax refund mechanism. Judging from the actual financial

resources in the hands of the central government, most of the tax refunds to the localities will come from the additional revenue generated by the consumption tax and VAT, which made up 3-5 percent of local revenue in 1994.

We conducted an on-the-spot study in Shandong to assess the impact of the tax-separation system on local financial resources. It was found that Shandong should expect to turn over 20 billion yuan net to the central government between 1994 and 2000. Taian city did some calculations to project the changes in its financial picture. One of the findings is that tax separation will trim municipal financial resources by 38.13 million, 80.09 million, 126.24 million, and 176.98 million yuan each successive year respectively during the 1994-1997 period, which amounts to 4.4 percent, 8.6 percent, 12.5 percent, and 16.1 percent respectively of its financial resources under the old tax system. (See Table 1 for details.) Even with an upsurge in financial resources in the past, local governments had been scaling back their aid-agriculture spending. How then can we really ensure a steady increase in agricultural investment in the future, what with the tax-separation system and a slow-down in the growth of local financial resources, and ever shrinking local financial resources? This indeed is the most challenging issue facing us today.

Table 1. Projected Changes in Financial Resources of Taian City, Shandong Province After Introduction of Tax-Separation System (unit: 10,000 yuan)

Item	1993	1994	1995	1996	1997
1. Financial resources under existing financial system	79,889	86,419	93,553	101,347	109,865
1) Revenue	75,311	81,843	88,979	96,775	105,296
Including: circulation taxes	55,333	60,866	66,953	73,648	81,013
Other revenue	19,978	20,977	22,026	23,127	24,283
2) Payments to higher level	-26	-28	-30	-32	-35
3) Subsidies	+4,604	+4,604	+4,604	+4,604	+4,604
2. Financial Resources Under Tax-Separation System	79,889	82,606	85,544	88,723	92,167
1) Revenue	37,174	39,893	42,833	46,015	49,461
Including: circulation taxes	17,196	18,916	20,807	22,888	25,177



Item	1993	1994	1995	1996	1997
Other revenue	19,978	20,977	22,026	23,127	24,284
2) Payments to higher levels	-26	-28	-30	-32	-35
3) Subsidies	+4,604	+4,604	+4,604	+4,604	+4,604
4) Tax refunds	38,137	38,137	38,137	38,137	38,137
3. Decline in Financial Resources Under Tax-Separation System (1 minus 2)		3,813	8,009	12,624	17,698
4. Decline as % of Original Financial Resources (3 divided by 1)		4.4	8.6	12.5	16.1

Notes: 1. Circulation tax to increase at 10 percent. 2. Other revenue to increase at 5 percent. 3. Payments to higher level to increase at the existing rate of 7.5 percent. 4. No change in subsidies.

**Third, the fiscal difficulties of county governments are worsening, and there is no guarantee that agricultural investment will hold steady.**

Judging from the current situation, counties are in a worse fiscal bind than any other level of government. Of the nation's 2,420 county-level financial departments, almost 1,300, or 53.7 percent, receive financial subsidies, while a mere 6.7 percent have a 100-million yuan budget. Regular counties (those not dependent on financial subsidies from a higher level of government) make up 39.6 percent of all counties. The number of counties running a budget deficit has soared in recent years. They include not only subsidy counties, but also a large number of regular counties and 100-million-yuan counties. In 1991, there were a whopping 1,216 deficit counties in the nation, 50.25 percent of all county-level units in China, and their combined net deficits totaled 5.837 billion yuan, 5.6 percent of the total spending by counties

that year. Nationwide, public finance at the county level is marked by slow revenue growth, rapid increases in spending, and revenue trailing spending year after year. The result is mounting budget deficits. Between 1985 and 1991, county-level revenue increased 40.2 percent, from 39.8 billion yuan to 55.8 billion yuan, but accounted for a declining share of total government revenue, from 21.4 percent to 15.5 percent, down 5.9 percentage points. During the same period, county-level expenditures increased 80.7 percent, from 42.5 billion yuan to 76.8 billion yuan, but again made up a shrinking share of total government expenditures, from 23.1 percent to 20.1 percent, off 3.2 percentage points. The gap between county revenue and expenditures was a mere 2.7 billion yuan in 1985, but widened each subsequent year to hit 21 billion yuan in 1991. (See Table 2 for details.)

Table 2. Revenue and Expenditures at County Level Nationwide 1985-1991 (unit: billion yuan)

	1985		1986		1987		1988		1989		1990		1991		Increase 1991 over 1985	
	Amount	Share of National Total	Amount	Share of National Total	Amount	Share of National Total	Amount	Share of National Total	Amount	Share of National Total	Amount	Share of National Total	Amount	Share of National Total	Amount	Share of National Total
Revenue	39.8	20.3%	45.9	20.3%	35.4	15.0%	40.2	15.3%	43.9	14.9%	47.2	14.3%	55.8	15.5%	16	- 5.9%
Expenditures	42.5	23.1%	54.3	23.3%	45.6	18.6%	52.3	19.3%	60.1	19.8%	65.7	19.8%	76.8	20.15%	34.3	- 3.2%
Revenue minus expenditure	-2.7	- 1.7%	-8.4	-3%	-10.2	- 3.6%	-12.1	- 4.0%	-16.2	- 4.95%	-18.5	- 4.8%	-21	- 4.6%	18.3	- 2.9%

Where is public finance at the county level headed? Our prediction is that county financial problems will deteriorate in the short and medium term. On the one hand, the implementation of the tax-separation system of 1994, which turns over the major share of taxes to the central government, is bound to slow down revenue growth at the county level. Although the new tax system must protect vested county interests and existing level of income, it allocates the bulk of any additional revenue to the central government and sets aside a portion for finance departments at the provincial and prefectural levels, leaving just a tiny amount for the counties. On the other hand, county finance is highly rigid, and hence resistant to adjustment, at the spending end. Worse, county spending is projected to increase at a fairly rapid rate, particularly following the introduction of wage reform by the central government in October last year, which has significantly boosted spending at the county level. As far as we know, there are typically over 10,000 people on a county payroll (including townships and towns). Under the wage adjustment plan, per-capita annual salaries are scheduled to increase 1,000 yuan. This increase alone will jack up county spending by 10 million yuan, 20 to 30 percent of the total spending of an average county (between 30 and 50 million yuan).

Thus what the future has in store for county finance departments is dual pressure: diminishing revenue

and soaring spending. The number of financial-subsidy counties and budget-deficit counties is expected to continue to swell and the gap between county revenue and spending will continue to widen. From our surveys in Shandong and Shanxi, we find that the most pressing fiscal problems facing county finance departments nowadays are these: modest levels of regular income, tax refunds slow in coming, failure to pay wages on time, and serious cash flow problems. Shandong is a relatively developed province, still two-thirds of its counties have fallen behind in wage payments; the new wage plan has largely remained unimplemented. There is a county in Shanxi Province whose regular revenue in the first quarter of 1994 totaled 3.2 million yuan but whose expenditures amounted to 9.6 million yuan. In addition, it had to turn over 4.3 million yuan to the central government. The county had to rely mainly on proceeds from the sale of permanent residence registrations in townships to close its budget gap.

Deteriorating fiscal health is disastrous for steady agricultural investment at the county level. Take a look at the pattern of spending at that level to date. Public finance at the county level is essentially of a housekeeping variety. Administration, culture, education, aid to families of disabled servicemen and revolutionary martyrs, and other nonproduction expenses account for as much as 85 percent of total spending, whereas capital

construction, technological transformation, aid to agriculture, and other economic construction expenses make up just 15 percent. As fiscal difficulties at the county level worsen in the future, and given the need to ensure that funds are available to meet house-keeping purposes first and foremost, it is inevitable that economic construction spending (including aid to agriculture) by the county will decline. The way counties in the red close their budget gaps is different from what the central government can do to achieve the same purpose. Essentially counties have to dip into special funds (particularly special agricultural allocations) and other funds at government disposal. When a county runs a deficit in its budget, therefore, it is bound to disrupt the normal operations of special agricultural funds and hence the total size of agricultural investment at the county level.

To sum up, there will be two different changes in agricultural investment by the central government and by localities following the introduction of the tax-separation system, and we must keep a very careful eye on them. Between now and the end of this century, Chinese agriculture faces the strategic challenge of rising to a new level. Meanwhile, the creation of a new agricultural-fund operating mechanism and the narrowing of the agricultural fund supply-demand gap will necessarily severely constrain our effort to solve the agricultural fund problem and ensure stable long-term agricultural development. Today agriculture as a whole is in dire straits. If local governments (including county governments) continue to scale back agricultural investment, no doubt the demand for agricultural funds will continue to outstrip supply, which works against stable agricultural development.

## II. Effects of Tax-Separation System on Development of Township and Town Enterprises

An outstanding achievement of the reform and open policy is the rapid development of township and town enterprises. They have become not only pillars of rural society and economy, but also a force in the entire national economy that cannot be ignored. According to data from the State Statistical Bureau, township and town enterprises realized a total of 1.79754 trillion yuan in output value in 1992, provided jobs for 105.811 million people, and generated 94.78 billion yuan in profits and taxes, including 47.02 billion yuan turned over to the state. These figures represent increases of 26.4-fold, 2.5-fold, 5.6-fold, and 17.3-fold respectively over the numbers of 1980. To date township and town enterprises already account for 78.8 percent of gross rural social output value and 32.4 percent of gross social output value, up 47.3 and 24.8 percentage points respectively from 1980. Everything indicates

that the development of township and town enterprises has absorbed a massive number of surplus agricultural workers and contributed enormously to adjusting the rural economic structure and providing accumulation for the state and rural China. It is also of profound significance for accelerating industrialization in China.

There are multiple reasons for the rapid development of township and town enterprises. Generally speaking, they have benefited from the national policy of reform and openness, from their own flexible operating mechanisms, and from the string of preferential financial and tax policies adopted by the central government at specific points in time. In what ways then will the latest round of financial reform have an impact on development of township and town enterprises in the future? This is our basic assessment. As a significant piece of financial reform, the tax-separation system is a more normal way of distributing revenue between the central and local governments. In the long haul, it will help facilitate macroeconomic regulation and control by the state, perfect the market system, and create a normal economic order and environment conducive to fair market competition. In that sense, therefore, the tax-separation system will not weaken the economic functions and power of local governments. All of this will have a positive effect on the development of township and town enterprises. In the short haul, however, financial reform and the adjustment of certain financial and tax policies also has adverse effects on their development, which is something we must pay attention to. Below is a detailed analysis.

**First, the tax-separation system will encourage the macroeconomy to operate in a balanced fashion, laying the groundwork for the continuous and sound development of township and town enterprises.**

For years in the past we followed a finance-contract system. Not only were state financial resources fragmented, but it also did tremendous harm to the developing national economy. It encouraged the localities to develop high-tax, high-profit industries, resulting in project and production duplication, which was wasteful and militated against the implementation of the national industrial policy and the rational adjustment of the structure of the national economy.

The tax-separation system will help put an end to this situation. 1) The tax-separation system divides the principal circulation taxes into taxes exclusive to the central government and those shared by the central and local governments. This should help reverse the tendency on the part of local governments to be preoccupied solely with raising output value in developing local economies and to rely exclusively on a rise in the rev-



enue generated by circulation taxes to enrich local coffers. And by reversing these trends, the tax-separation system will go a long way toward overcoming some of the chronic maladies in local investment—project duplication, over-building, putting up new projects thoughtlessly, investment without management—and steering the local enthusiasm for economic development into proper channels, namely improving the quality of enterprises, strengthening internal enterprise management, increasing the margin of profit, and boosting profits realized by enterprises. This will translate into higher income taxes payable by enterprises, which, in turn, will mean more revenue flowing into the local coffers. This is consistent with the nation's industrial policy and also benefits local financial and economic development. 2) As a result of the current round of tax reform, including the introduction of the tax-separation system, the financial resources of the central government will increase relatively, raising its ability to invest in national basic industries and in the infrastructure. This will gradually correct a longstanding problem in China—an unbalanced industrial structure. 3) Tax refunds and transfer payments from the central government to local authorities not only constitute an important means of balancing regional financial resources, but are also a crucial tool for realizing the goals behind national policies. They enable the state to make the most of its funds in shaping development and channel local investment into the most proper direction.

In short, the tax-separation system will prove beneficial to the operations of the macroeconomy in the future, which will better position township and town enterprises for development. Township and town enterprises rely solely on the market for resource allocation. Whether or not market regulation can do its job properly is closely related to the way the macroeconomy operates. When the macroeconomy is subject to major ups and downs, the national economy will necessarily undergo "adjustments." And township and town enterprises are the first to bear the brunt of the adjustment burden, whereas large and mid-sized state enterprises are treated preferentially by the state in allocating funds, energy, and important raw materials. When that happens, the growth rate of township and town enterprises will drop promptly. A case in point is the drive to improve the economic climate and rectify the economic order that began in 1988. When the major proportionate relations of the national economy are more or less on an even keel and the macroeconomy runs smoothly, township and town enterprises are well placed to take advantage of market regulation. The tax-separation system, therefore, will have a positive impact on both the macroeconomy and township and town enterprises.

**Second, the tax-separation system does nothing to alter the economic functions of local governments. Nor will it weaken their enthusiasm for supporting the development of township and town enterprises.**

Government support, especially local government support, has been a key factor behind the development of township and town enterprises. Nowadays some comrades wonder if the tax-separation system, which turns over the major taxes to the central government, will limit the economic management authority of local governments and dilute their support for township and town enterprises. Our answer is no. 1) China is a huge country with a vast territory and an enormous population. A major characteristic of the way the state carries out its economic functions is level-by-level management and level-by-level regulation and control. The responsibility of the central government is to formulate macroeconomic policies, but it cannot do everything at the local level at any given point in time. Local governments will always have an important role in organizing local or regional economic activities and regulating and controlling them. As the market economy develops in the future, the scope and intensity of market allocation of resources will increase further, but macroeconomic regulation and control by the state and economic regulation and control by local governments will remain indispensable. At the heart of the tax-separation system is the regularization of financial distribution relations between the central and local governments, but this will occur without weakening the latter's economic management authority. It was, is, and will remain the responsibility of local governments to regulate and control the local economy.

2) From the perspective of local revenue enhancement, the development of township and town enterprises will remain most closely related to local economic interests even after the tax-separation system goes into effect. Local enthusiasm for supporting township and town enterprise development absolutely will not diminish just because some taxes are now turned over to the central government. There are four reasons for this. First, all revenue generated by the consumption tax and 75 percent of the revenue generated by the VAT will go to the national treasury. On the other hand, the state must protect local vested interests, so 1993 was chosen as the base year for calculation purposes. Thus, all revenue derived from these two taxes and turned over to the central government in 1993 will be returned to the localities in full. Second, localities are entitled to 25 percent of revenue generated by the VAT. Third, additional revenue generated by the consumption tax and VAT will be distributed to local governments by the Ministry of Finance at the ratio of

1:0.3. Fourth, all revenue generated by the income tax payable by township and town enterprises will go to local governments. One conclusion can be drawn from these four considerations, namely that when a local economy (including township and town enterprises) enjoys rapid growth, local revenue will rise, and when a local economy loses steam, local revenue will dip correspondingly. It can thus be seen that even with the tax-separation system, it is still the economy that will decide the level of government revenue. Therefore, local governments should develop the local economy and support township and town enterprises as ways of building up their economic prowess. 3) It will always be a leading local function to support the development of township and town enterprises. Leaders at all local levels will never give up this opportunity to add luster to the achievements of their tenure and benefit the people.

**Third, some adjustments to the financial and tax policies will adversely affect township and town enterprises in the short run.**

1) Consolidating income taxes payable by domestically funded enterprises will increase the tax burden on township and town enterprises. In the past, the kind of income tax payable by an enterprise was determined by its ownership; tax burdens varied vastly from enterprise to enterprise. This was one problem the latest round of tax reform was intended to solve. Post-reform tax burdens on state enterprises is basically the same as in the past. For township and town enterprises, however, the tax burden will go up. Before 1985, township and town enterprises paid income taxes at the rate of 20 percent. In 1985, a collective enterprise income tax came into effect and taxes were levied at "eight progressive rates" ranging from 10 percent to 55 percent. Judging from the way this tax was implemented, the effective tax burden on township and town enterprises never exceeded 20 percent in recent years. In 1985, for instance, it was 18.33 percent; in 1986, 18.28 percent; in 1987, 16.35 percent; in 1988, 15.26 percent; in 1989, 17.38 percent; in 1990, 18.10 percent; in 1991, 17.03 percent; and in 1992, 17.42 percent. In 1993, collective enterprises at the two levels of township and town (excluding joint households and individual enterprises) reported a combined profit of 97.6 billion yuan and a taxable profit of 87.8 billion yuan (gross profit less 10 percent) and paid a total of 14.5 billion yuan in

income taxes, yielding a tax rate of 14.86 percent. Under the new tax system, and with 1993 taxable profit as the base number, township and town enterprises should pay 20.4 billion yuan in income taxes in 1994, yielding a rate of 25.8 percent. In other words, their income tax burden will increase 5.9 billion yuan, or 40.69 percent. If we take into consideration the increase in the tax burden on joint households and individual enterprises at the township and town levels, township and town enterprises overall will be saddled with a much higher tax burden under the new tax system, paying 34.8 billion yuan in income taxes in 1994, up 15.2 billion yuan, or 77.55 percent, from the 1993 figure of 19.6 billion yuan. (See Table 3 for details.) It should be pointed out that the principles and direction of national tax reform are correct, and consolidating the different taxes will promote fair competition among the various types of enterprises. However, from the township enterprise perspective, a sharply increased tax burden will objectively make life much harder.

2) The decision to continue collecting the "two funds" from township and town enterprises has resulted in a new imbalance in the tax burden. In 1983 and 1989, China started collecting payments from state enterprises and township and town enterprises to finance a key energy and communications construction fund and a budget regulating fund (referred to hereafter as the "two funds" for short). State enterprises contributed to the "two funds" at the rates of 15 percent and 10 percent respectively; in the case of township and town enterprises, the rates were 7 percent and 10 percent respectively. The old rules, it must be said, watched out for the interests of township and town enterprises. As a result of the latest round of financial and tax reform, however, state enterprises are exempted from making contributions to the "two funds," but township and town enterprises are still saddled with the "two funds" burden. Statistically, enterprises at the township and village levels alone paid 2.8 billion yuan into the "two funds" in 1993. Under the tax-separation system, their contribution to the "two funds" will climb to 8 billion yuan because of changes in the base figures used in calculating the size of payments. Clearly, these policy adjustments are both unfair and unfavorable to the development of township and town enterprises.

Table 3. Projected Impact of New Income Tax System On Township and Town Enterprises (unit: billion yuan)

	1993	Existing Income Tax System		New Income Tax System			Comparison	
	Total Profits	Tax Rate	Tax Burden	Taxable Profit	Tax Rate	Income Tax Due	Increase	Increase %
Township and Town Enterprises	196.6		19.6			34.8	15.2	77.55
Including: village collective enterprises	97.6	14.86	14.5	87.8	25.8	20.4*	5.9	40.69
Joint households and individual enterprises	99	5.15	5.1	89.1	18.0	14.4*	9.3	82.35

Notes: 1. Taxable profit is 90 percent of pre-tax profit. 2. Village collective enterprises pay taxes at a weighted tax rate, which is: 25.8% equals 33% times 40 plus 27% times 20% plus 18% times 40% [equation as published] \* Under the rule in the preferential income tax policy which cuts taxes payable by township and town enterprises by 10 percent, their respective income taxes payable are: (87.8 times 25.8%) times (1-10%) equals 20.4 billion yuan, and (89.1 times 18%) times (1-10%) equals 14.4 billion yuan.

### III. Impact of Tax-Separation System on Public Finance at Rural Township and Town Levels

After almost a decade of development, township and town finance departments can now be found all over rural China. They have become an increasingly inseparable part of national public finance and a key source of funding for rural economic construction. That being the case, the impact of the tax-separation system on township and town finance departments reaches far beyond the financial development of townships and towns; it is a vital issue with a bearing on future social and economic development in the countryside. We need to pay attention to it.

First, township and town finance departments have been developing and maturing steadily in recent years, strengthening rural financial management and promoting rural economic development in a big way. Finance departments at the township level began in 1983 as pilot projects. A decade later, there were 48,549 such finance units nationwide, covering 96 percent of all townships and towns. The creation of township and town finance departments put an end to a longstanding anomaly—"five levels of political authority and four levels of financial authority"—and centralizing the political, financial, and managerial authority in a township in the same hands, thereby vastly mobilizing the enthusiasm of the township government to manage its own affairs and handle its own finances. With the rural

economy developing and sources of local revenue multiplying, township and town finance departments have grown to a fairly substantial scale, and their revenue has risen rapidly. In 1994, total revenue collected by townships and towns reached 66 billion yuan, including 47.2 billion yuan in budgeted revenue, 19.5 percent of the nation's total local revenue and 45 percent of all revenue collected at the two levels of county and township.

Extra-budget revenue collected at the township and town levels as well as self-raised funds are financial resources that townships are free to dispose of on their own. In 1992, such resources amounted to 18.8 billion yuan, 28.5 percent of total township and town revenue. At the spending end, townships and towns have consistently made production development and the broadening of the tax base their top priorities. In 1992 they spent a total of 4.85 billion yuan on agricultural development and 4.87 billion yuan to aid township and town enterprise development, assisting almost 730,000 enterprises. Meanwhile they also rendered energetic support to assorted rural enterprises, and allocated 23.22 billion yuan, or 44 percent of all township and town spending, to fund a variety of educational, scientific, cultural, and public health projects. All of this shows that creation and development of township and town finance departments not only help turn national financial and tax policies into reality, enabling the state to do a better job of collecting revenue and spending its



money in rural areas in accordance with the budget, but also provides township and town governments with the financial resources necessary for carrying out their political and economic functions and responsibilities. Township and town finance departments have spurred social and economic development in rural China by raising and distributing funds.

**Second, the tax-separation system will help township and town finance departments play an even bigger role in the long haul.** The long-term goal of the development of township and town finance departments is to establish a comprehensive one-level finance agency. To that end, we must objectively do an even better job standardizing the distribution relations between township and town finance departments, on the one hand, and county level finance departments and the collective rural economy, on the other. To that end, township and town finance departments must do an even better job raising and utilizing funds in the interest of national construction and rural development. And the implementation of the tax-separation system will make those things possible. Financial construction at the township and town level had an early start and so far has made rapid progress, but it confronts a glaring problem today, namely the many irregularities in the way the financial system actually works. These irregularities can mostly be found in two areas.

First, rural townships and towns have adopted a variety of financial systems, and there is a good deal of arbitrariness about their choice as a result of the absence of fair objective standards. Some peg expenditures to revenue, others follow a revenue and expenditure general contracting system, yet others follow a revenue and expenditure two-line system. This institutionally exacerbates imbalances in financial development at the township and town levels. Second, no matter which system a township follows, the county often changes things instead of aiming for stability and even wilfully concentrates township financial resources in its hands, thus dampening enthusiasm for raising revenue.

With the tax-separation system in effect, we can expect these problems plaguing the township's finance department to be resolved gradually. The latest round of tax reform took a big stride forward in dividing up taxes between the central and local governments. The thrust of future tax reform will be to do likewise with taxes among the different levels of local government. For instance, a new tax reform package should specify which regular and shared taxes should go to the townships and towns. That will help regularize distribution relations between the county and the township systematically and avoid the abnormal situation of finance departments above and below vying for resources at

one another's expense. That in turn will help mobilize the enthusiasm of township and town governments to manage local affairs, handle local finance, and develop the local economy, paving the way for the development of township finance departments into level-one finance agencies. In this sense, the tax-separation system is a plus for the long-term development of public finance at the township and town levels.

**Third, the tax-separation system will have negative effects on the finance of townships and towns in the short run.** It will take a considerable period of time to standardize and rationalize the entire local financial management system (including the township and town financial management system). It is something that can be accomplished only gradually as reform deepens. In the short haul, however, the tax-separation system will have some adverse effects on the size of the financial resources available to townships and towns. The decision to turn over from the local governments (including townships) to Beijing part of the additional revenue is consistent with the principle behind the latest round of tax reform. There is no doubt, however, that it will weaken the ability of township governments to raise revenue. Note that this is not the only way in which township and town financial resources will suffer. As counties struggle with mounting financial problems, they too will grab additional financial power by adjusting the township financial system with a view toward transferring onto the lower level their own financial woes. Our studies show that this is exactly what has happened in some localities. We have done some rough calculations. Assuming that the additional revenue generated by the consumption tax and the VAT that goes to the central government accounts for 3 to 5 percent of the size of township and town budgets and that counties amass in their hands 3 to 5 percent of the revenue of townships and towns, and using the 1992 figure of 47.2 billion yuan to represent the revenue of all townships and towns, we figure that townships will lose 3 to 5 billion yuan, perhaps more, in revenue each year. No doubt this will diminish funding for rural economic development and put township and town finance departments under severe budgetary pressure.

#### IV. Some Policy Proposals

To sum up, financial reform will have both direct and indirect effects on the rural economy. By and large, financial reform is correct in its objectives, principles, and direction, and will benefit the macroeconomy and rural economic development. On the other hand, some adjustments to financial and tax policies, while necessary on a macroeconomic level, will affect both agriculture

and the rural economy adversely. This is something we should pay full attention to.

Public finance is a basic tool with which the state regulates and controls the macroeconomy. It is also an important means through which the state supports and protects agriculture. To strengthen agriculture as the base and ensure the sustained and steady development of the entire rural economy, we hereby put forward some policy proposals from the financial perspective.

**1) Energetically adjust and perfect central government agricultural investment policy and increase the Ministry of Finance investment in agriculture.**

As noted above, the tax-separation system makes it possible financially for the central government to boost agricultural investment. It will help intensify state support and protection for agriculture and accelerate large-scale agricultural infrastructure projects. It will also help guide local governments, even rural collectives, to invest in agriculture. For these reasons, the state should grasp the opportunity presented by the tax-separation system to commit itself to taking bold steps to adjust and improve the agricultural investment policy: A) Increase central government investment in agriculture. In its budget this year, the central government already is taking a string of measures to boost agricultural investment, which no doubt is a big plus for agricultural development. As the central government collects a steadily rising share of revenue in the coming years and as other economic reforms deepen, the central government should consider diversifying the funding channels for agriculture in addition to ensuring an increase in regular agricultural spending. A hallmark of the latest round of tax reform, for instance, is the decision to concentrate in the hands of Beijing most of the additional revenue generated by the consumption tax and VAT. So perhaps the central government should now set aside a predetermined portion of its new revenue mentioned above specifically for investment in agriculture. Moreover, as the agricultural products procurement and marketing system is reformed, the state will be spending less on subsidies. Will it be possible to invest in agriculture the resultant savings instead of using them to balance the budget? If these measures are adopted, we can expect the share of central government spending going to agricultural investment to go up over time.

B) Additional central government investment in agriculture should be based on priorities. Generally speaking, it will be difficult to make extensive adjustments to the way existing central government investment in agriculture is spent. New investment, on the other hand, should follow a clear set of priorities and favor some projects over others. Specifically, most additional investment funds should go to interregional agricultural

capital construction projects (such as the taming of major rivers and reservoir construction and maintenance), key agricultural development projects, major basic research in agricultural science, and agricultural S&T dissemination. Currently these are the weak links in agricultural investment. Practical and effective measures to raise investment in these areas gradually will go a long way toward enhancing the lasting power of agricultural development.

C) Improve the system under which the central government offers special agricultural subsidies to local authorities. This system is a major component of the overall system whereby Beijing returns revenue and makes grants-in-aid to local authorities after the tax-separation system goes into effect. It is a powerful tool that the state can use to regulate and control the macroeconomy and strengthen agricultural protection. On the one hand, the central government in the future should increase special agricultural grants-in-aid as much as its financial resources allow. On the other hand, it should introduce a fund-matching mechanism, which means that to be eligible for a grant from Beijing, a local government must come up with an appropriate amount of its own funds and both sums must be used in agriculture. A matching mechanism makes it possible for agricultural investment by the central government to better determine where money should go and will help channel more local funds into agriculture, thereby reversing somewhat the persistent downward trend in local agricultural spending.

**2) Adjust the pattern of distribution of existing local funds and ensure a steady increase in agricultural investment at the local level.** Local spending in aid of agriculture is an essential part of overall government spending in aid of agriculture. Accordingly, how much and in what ways local governments spend on agriculture has a major impact on the overall agricultural investment trend. It is a given that local revenue growth will moderate under the new tax system. So it will be unrealistic to ask local governments to increase the share of local spending on agriculture. The most urgent issue now is to ensure that the growth of local aid-agriculture spending keeps up with the pace of the growth of revenue overall. Local governments may have some trouble accomplishing this, but it is not an impossible mission. The main approach is to adjust the pattern of local spending. As China becomes more and more market-oriented in the years ahead, the existing local spending pattern must be overhauled. That is, the localities must completely get out of the business of investing in the usual processing industries and let enterprises do their thing. Instead, they should focus on infrastructural development and other key basic industries (including agriculture), which will strengthen the

localities. This is the basic economic function of a local authority. In so doing, localities can extricate themselves from their financial troubles even as they increase agricultural investment.

**3) Improve the management of aid-agriculture funds and increase the return on fund utilization.** Objectively, increasing the return on fund utilization has the same effect as boosting investment up to a point. Already finance departments are spending a substantial amount of money to aid agriculture. However, the management of these funds is highly fragmented. In recent years, in particular, a number of special aid-agriculture funds were set up, each headed by a temporary fund management organ. This trend has further fragmented the use of funds. As a result, there is buck-passing in fund allocation, there is investment duplication, funds have been lost, and the role of finance departments in the centralized management and utilization of funds, as well as their supervision and inspection, is weakened. All of that militates against the drive to increase the return on the utilization of aid-agriculture funds. The finance department has the overall responsibility for fund management. In the future it must fulfill its financial function and improve comprehensive allocation and total analysis of aid-agriculture funds. It must also continuously improve the ways in which aid-agriculture funds are spent, introduce management by objectives to the projects, improve the return on fund utilization, and enable the government to do an even better job as the principal investor in and supporter of agriculture.

**4) Eliminate the "two funds" burden on township and town enterprises and spur fair competition among enterprises of all types.** Under the new financial and tax system, state enterprises are exempt from making contributions to the "two funds," whereas township and town enterprises continue to be so burdened. This does nothing to encourage fair market competition. According to statistics, payments to the "two funds" gobbled up a high 25 percent of the after-tax profits of state enterprises. Now that they are no longer required to contribute to the "two funds" or to turn over profits in most cases, state enterprises should show a higher accumulation rate and become more competitive. As for township and town enterprises, already saddled with a 33-percent income tax rate, the rule that they must continue to make payments to the "two funds" will make their tax burden heavier still, in effect lowering their accumulation rate. It is proposed that township and town enterprises not be required to make contributions to the "two funds" in order to create a level playing field where township and town enterprises can compete on an equal footing with state enterprises.

**5) Use the proper financial and tax policies to speed up the development of township and town enterprises in central and western China.** For a variety of reasons, township enterprises started later in western and central China and have been slower to develop. This is a major reason why the overall economy of those regions is underdeveloped and has fallen substantially behind that along the eastern seaboard. Accordingly, we must take the development of township and town enterprises in central and western China very seriously, whether out of concern for the well-being of those regions or in the interest of national economic growth as a whole and balanced interregional development. Financial and tax policies must be closely coordinated with one another. The "Decision on Expediting the Development of Township and Town Enterprises in Central and Western China," promulgated by the State Council in 1993, says explicitly: "Tax departments should adopt preferential tax policies with regard to township and town enterprises in central and western China. Turn on the water to raise fish; cultivate revenue sources." This is a major policy and must be carried out in earnest. Specifically, we suggest that the "two-reductions-and-three-exemptions" income tax policy continue to apply to new township and town enterprises in central and western China to jumpstart their development. The State Council's "Decision" cited above also says: "Township and town enterprises shall be permitted to set aside 1 percent of their sales earnings to fund technological transformation and new product development projects." It also "exempts township and town enterprises in central and western China from paying the fixed assets investment direction regulating tax." All these provisions should continue to be enforced. In designing a payments-transfer system, the Ministry of Finance should consider setting up a "special fund for the development of township and town enterprises in central and western China" and make payments from this fund to local governments along with the regular transfer payments. It should be up to the local governments to decide how such funds should be spent within agriculture.

**6) Reform the township and town financial management system in order to meet the requirements of the tax-separation system and provide a stable funding source for rural economic development.** The township and town financial management system is the main vehicle for handling the financial distribution relations between the two levels of government—county and township—and has an impact on the financial power and resources of townships and towns. As such it is critical to rural economic development. To make the most of township and town financial management and give even stronger support to rural social and economic development, we must reform and perfect the township and



town financial management system in accordance with the principles and requirements of the tax-separation system. There is one guiding thought which must be made clear, namely that the reform of the township and town financial management system must be such that it helps standardize the distribution relations between counties and townships, that it helps mobilize the enthusiasm of all parties, and that it provides a stable funding source for rural economic construction, and not the opposite. Note that with the introduction of the tax-separation system by the central government, every level of government is scrambling to centralize financial resources in its hands, and since the township is at the bottom of the heap, this trend has the most adverse outcomes for the township finance department and also runs counter to the above-mentioned guiding thought behind the reform of the township financial system. It should be said that by now township finance departments have largely become universal and control a formidable amount of revenue and spending, so already the rudiments of a level-one finance department are in place.

This is a hard-won victory. The next step is for Beijing and the localities to build on what they have already accomplished and use the opportunity provided by the tax-separation system to advance township financial work

one step forward. That is to say, they should further clarify the financial power and resources of townships and towns and further standardize township financial work. They must not do what some localities have done, which is to take advantage of the new tax system to profit themselves at the expense of township and pass on to the latter the difficulties of the counties. Such actions essentially hurt rural economic development. The basic philosophy behind the reform and perfection of the township financial management system in the future is this: In accordance with the principles and demands of the tax-separation system, turn over to township finance departments those taxes that can be properly collected and managed at the township level. These taxes should be the source of regular township and town income and institutionally ensure a steady increase in township and town revenue. Specifically, consider turning over all or most of these taxes to townships and towns: agricultural, farmland-use, special farm and forestry product, slaughter, deed, and rural industrial and commercial individual household taxes. This should help fully mobilize the enthusiasm of townships to look for revenue and strengthen rural tax collection and management, thus preventing revenue losses in the countryside and broadening funding sources for rural development.

### East Region

#### \*Anhui Provincial Government Work Report

95CE0363A Hefei ANHUI RIBAO in Chinese  
27 Feb 95 pp 1, 2, 3

[Report by Hui Liangyu (0932 5328 3768), deputy governor of Anhui Province: "Report on the Work of the Government—Given on 19 February 1995 at the Second Session of the Eighth Anhui Provincial People's Congress"]

[FBIS Translated Text] Deputies! As representative of the Anhui Government I now submit to you, the provincial people's congress, the report on the work of the government for your deliberation, and, furthermore, invite members of the provincial consultative conference and others present to express opinions.

#### I. The Year 1994, A Year of New Developments and Vigorous Progress

During the past year, people of all nationalities throughout the province, guided by Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, the party's basic line, and the provincial party committee of Anhui Province, implemented the guiding principle of "seizing the current opportunity to deepen reform and open up wider to the outside world, promoting development and maintaining stability." They have accurately dealt with the relationship among reform, development, and stability; they have forged ahead in all areas with the work of socialist modernization and have successfully accomplished the main tasks of economic and social development set at the Second Session of the Eighth Provincial People's Congress. They have accomplished, six years in advance, the strategic objective of quadrupling the GDP, they have further strengthened socialist spiritual civilization and the democratic legal system, and have thereby brought about a gratifying overall situation of flourishing development.

**The national economy continues to maintain an excellent trend of further growth; overall strength of the province has distinctly increased.** It is estimated that the GDP will reach 148.5 billion yuan, a 21-percent increase over the preceding year, when calculated at comparable prices. Despite experiencing a serious drought, agriculture was able to perform comparatively well with an added value of 33.7 billion yuan, an increase of 4.5 percent. Grain production was 23.79 million tons, a decline of 10.3 percent, while the production of cotton and oil-bearing crops also registered certain declines compared to the past years of good harvests. Production of other agricultural products increased to varying degrees. Development of a "high-quality, high-yield" agriculture and of primary agricul-

ture was stepped up, and the proportion of high-quality agricultural products has evidently increased. Town and township enterprises continued to increase rapidly, and their business income reached 187.8 billion yuan, an increase of 72 percent. The five-year task of eliminating barren hills was successfully accomplished, making this one of the country's provinces where this had indeed been achieved at an early date. Industry grew at a rapid rate in a particularly tight macroeconomic environment. Total additional value of social industry was 67.8 billion yuan, an increase of 34 percent, which is among the highest rates of such increases throughout the country. The industrial structure was further enhanced by greatly increasing the proportion of industrial products with high added value; the market share of electric refrigerators, washing machines, and motorcars increased markedly, and steady increases have also been registered in energy sources and primary materials. Trading in urban and rural markets was brisk, and the setting up of new markets was accelerated. Retail sales of items of social consumption reached 44.2 billion yuan, an increase of 28.7 percent. State-owned enterprises showed improved vitality and played a "mainstay and guidance" role with regard to ensuring financial revenue, increasing effective supplies, and in regulating social distribution. The non-government economy developed rapidly and displayed robust vitality. Total provincial revenue was 10.89 billion yuan, an increase of 32.1 percent, when calculated at comparable prices. Of this sum, 5.468 billion yuan was local revenue, an increase of 75.6 percent, which set a historical record. Additional capital construction and technological transformation enhanced the capacity for economic development. The entire society's completed investments in capital assets reached 3.65 billion yuan, an increase of 22.3 percent. Ten key projects—among them a blast furnace of 2,500 cubic meter capacity and auxiliary engineering projects at the Ma'anshan Iron and Steel Corporation, the Hefei-Anqing section of the Hefei-Jiujiang railway, the main building of the radio and television center, the Hefei-Tongling highway—have all been completed on schedule. Several items of technological transformation, such as at the wheel-processing line of the Ma'anshan Iron and Steel Corporation, the second stage of the Hefei Meiling refrigerator project, and the extension of the Huaihai Feihu automobile plant and the instrument and meter production line of the Wuhu automobile plant have been completed and are in operation. Buildup of basic industries and of infrastructure has been accelerated; 660 km of arterial highways and 1,330 km of county and rural roads have been newly built or repaired. An additional 800,000 program-controlled telephone switchboards have been installed, the number of pagers and cellular telephones has doubled and redou-

bled, and private microwave lines for radio and television have been opened up. New progress has been achieved in providing every village with electricity, also in controlling the Huaihe River—new riverbeds for fear of floods—in creating new farmland, and in water conservancy work.

**Important progress in reform and opening to the outside world, new advances in establishing the socialist market economy system.** In the course of the reform of the financial and tax system, separation of state and local revenue offices has been smoothly carried out, and the financial system of sharing tax revenue by central and local authorities has become a reality, having been accomplished in a smooth and steady transition from the old to the new system. In the reform of the banking system, the transformation of specialized banks into commercial banks has been accelerated; and new progress has been made in setting up a financial system, involving a system of foreign exchange, securities, and insurance markets, and with Hefei being approved as a city in which banking has been completely opened up to the outside world. Pursuit of price reform and reform of the circulation system is continuing. Prices for grain and cotton have been raised, and the circulation system for refined oil and chemical fertilizer has been improved. Enterprise reform has been continuously intensified by organizing and setting up experimental units for the transformation of mechanisms and by establishing new systems for the main purpose of creating a system of modern enterprises with proper appraisal of assets and funds and with an optimal capital structure. Substantial progress has been made in reforming the management of state assets. Reform of the shareholding system has been developed in greater depth, and 105 large and medium-sized enterprises have already completed the reform of their systems. Reform of the system of property rights is being continuously pursued, and 16 prefectures and cities have set up markets for the transaction of property rights and have also already established an initial network of contacts. Setting up a social security system has been accelerated, and reform of the old-age and unemployment insurance, and of the system of medical services, is being gradually carried out. Rural reform has been continuously intensified, and the household-based contract system with remuneration linked to output has continuously been stabilized and perfected. The cooperative shares system is being steadily expanded, and initial successes have been achieved in new lines of experimental work, such as contracting for land, establishing mechanisms for the circulation of land-use rights, and the reform of methods of collecting taxes and fees in rural areas.

Opening to the outside world was further expanded. Total imports and exports for the entire province amounted to \$1.85 billion, of which exports achieved \$1.28 billion, and the two figures accounted for increases of 43.6 and 32.4 percent, compared to figures for the preceding year. Actual use of foreign capital amounted to \$590 million, and an additional 627 joint ventures were approved during the year. Improvement of harbor facilities was stepped up; customs offices were set up at Ma'anshan City, and Tongling harbor was opened to foreign shipping. The establishment at Hefei of an industrial zone for the development of high and new technologies and of an economic and technology development zone at Wuhu has been much accelerated. The tourist industry has expended much effort on the development of tourism products and on ways to attract domestic and foreign tourists. A friendly relationship was newly established between Anhui Province and Kochi Prefecture in Japan, and relationships with Hong Kong, Macao, and Taiwan were further strengthened. The Huanghai theater and a chess team from Anhui Province visited Taiwan for the first time and gave successful performances.

**New successes have been achieved in science, education, and in cultural as well as public health work; various social undertakings developed at a steady pace.** Scientific and technological work was more and more oriented toward benefiting economic construction, and 600 items had been appraised as scientific and technical achievements of provincial and higher level. The drive to have science and technology [S&T] promote agriculture and industry has been effective. There has also been continuous development in educational affairs, and universal nine-year education has been made compulsory in 41 counties (cities, autonomous regions); 91.4 percent of all primary school graduates throughout the province have gone on to schools of a higher grade, which was 14.1 percentage points more than in the preceding year. The courses and curricula of higher education have been further adjusted, while vocational and adult education have both been strengthened. The rate of illiteracy among able-bodied youths has dropped from the preceding year's 13.1 to the present 9.8 percent. Family planning work was pursued with greater energy, and the fertility rate is now 16.7 per thousand, a decline of 0.48 per thousand points compared with the preceding year. Environmental protection has been further strengthened; 730 items were designated as control items and 11 zones as urban smoke and dust control zones. Health care and public health conditions in urban and rural areas have been improved, and initial progress has been made in improving hygiene and health care in the villages; tapeworm has essentially been eliminated, and schistosomiasis has been brought under control.



Athletic and popular sports activities have been continuously developed, and participants from Anhui Province at the Asian Games at Hiroshima and the "Far South" sports meet for the physically handicapped performed brilliantly, having been awarded eight gold medals. The fourth art festival of Anhui Province was a success, and three creations—one being the Beijing opera "Cheng Changkang"—were selected as "excellent-five-respects projects." A number of excellent creations have been produced in literature and art; in radio, film, and television; in the press and publishing; and in the social sciences, contributing to the promotion of spiritual civilization. New achievements have also been accomplished in work related to national minorities and religion.

**Stability was maintained throughout society, and positive results were achieved, in stages, in the buildup of honest and clean government.** In matters of public security, we maintained the policy of "cracking down hard." We have launched systematic strikes against special targets in powerful attacks against all kinds of crimes, thereby strengthening the overall control of public security. Officials at all levels have been paying close attention to letters and visits from people as an important part of their work, thereby facilitating preventive actions and establishing closer contacts with the public. Moreover, measures have been taken to help some low-income-earning people and students at universities, middle schools, and vocational schools in the solution of some of their actual problems. All these measures and activities have played a positive role in assuring smooth progress in reform and construction. Increasing efforts toward honest and clean government are continuing, and new progress has been made in straightening out work styles and in controlling disorderly conduct. With respect to the "five old and new rules" set by the Central Discipline Inspection Commission, provincial leading cadres of department chief and higher ranks have by now generally have carried out self-examination and self-rectification, and, as a crucial part of this activity, have indeed detected several cases of violations of law and discipline by some leading cadres. The use of high-class imported small sedan cars contrary to regulations has completely been rectified. Controls have been tightened for overseas trips of leading cadres, and overseas tourism at government expense has been stopped. Work has clearly also been effective in the liquidation of "little treasures" of party and government organs, in stopping use of public money to install telephones in private residences, and in stopping the free-of-charge use of funds and materials of enterprises.

**Further improvements in the people's livelihood, new progress in assistance to the poor.** The average

annual living expenditure income for the urban population is 2,766 yuan, an increase of 741 yuan over the preceding year. Average annual net income of the rural population is 973 yuan, an increase of 249 yuan. With due allowance for the commodity price factor, these increases amount to 7.6 and 7.4 percent respectively. Reform of the salaries for personnel in units of public administrative institutions has been smoothly accomplished, and reform of salaries paid in enterprises had been essentially completed. Savings by the urban population has increased a net 9.3 billion yuan, and by the rural population a net 3.8 billion yuan, establishing records this year. Construction of residential housing in the cities had been stepped up, and average housing per person has reached 8.1 square meters. Over 54,000 urban households have had their housing difficulties resolved. An "assault-against-poverty plan" has been smoothly carried out, and the rate of economic development in 17 national notoriously poverty-stricken counties has exceeded the provincial average, while the number of low-income poor peasant households has been drastically reduced.

To more effectively publicize Anhui Province, an exhibition of economic achievements was successfully held in Beijing. There, it was for the first time shown to the CPC Central Committee, the State Council, and all the residents of the capital what achievements Anhui Province has made in its recovery from the enormous flood disaster and in economic construction since reform and opening to the outside world began. The exhibition earned high praise from the central leadership and was well received by the general public. The stall of Anhui Province at the National Exhibition of Achievements of Social Development was also very effective.

These achievements have been most gratifying, but they have not come easily. **They vividly signify the fact that the people of the entire province, under the leadership of the CPC, have steadfastly pursued socialism with Chinese characteristics, further progressed in the emancipation of minds, and continuously kept forging ahead in a pioneering spirit.** These achievements are powerful evidence of the unswerving attitude of the people of the entire province in their pursuit of speedy development. They are the rich fruits of the hard work done by the people of the entire province. Here, acting merely as representative of the provincial people's government, I wish to express my highest respect and heartfelt gratitude to the numerous workers, peasants, intellectuals, and cadres at all levels for their struggle on all the various fronts, to the deputies of the people's conference, the members of the political consultative conference, to members of the democratic parties, and to personalities of all sections of society for

their support and oversight of the government's work, also to the People's Liberation Army, the armed militia, and to units of the central authorities stationed in Anhui who have contributed to reform and construction in Anhui Province, and to all comrades and friends who have shown concern and support for the growth and development of Anhui Province!

While acknowledging all achievements, we must also soberly recognize the problems and difficulties that still exist and must look at matters that are cause for dissatisfaction among the masses. Major problems include the excessive rise in commodity prices. The indices of retail commodity prices and of resident consumer prices rose by as high as 23.3 and 26.9 percent, respectively, throughout the year, which has had a serious impact on the people's livelihood. There is a need to raise the quality in our economic growth; some state-owned enterprises lack vitality and operate at serious losses. The agricultural infrastructure is weak, and there is little capacity for countermeasures against natural calamities. In some areas, the state of public security is not good, and negative and decadent phenomena have not yet been effectively eradicated. Existing problems in government agencies, in varying degrees of severity, are: tardiness in delegating functions, inefficiency in work performance, and a work attitude of formalism. These problems must all have our most serious attention; they must under no circumstances be treated lightly, and effective measures must be taken in the course of our future work to accomplish truly effective solutions.

Deputies! During the three years from 1992 to today, Anhui Province has achieved rapid economic growth and has markedly increased its economic strength, but the province is still in a state of development, requiring continued arduous effort. We must highly cherish the present excellent situation, firmly seize the opportunity for development, take advantage of it for further progress, and forge ahead in a pioneering spirit to maintain the prevailing strong developmental trend. This is the last year of the Eighth Five-Year Plan, and also the year for effectively working on necessary preparations for the Ninth Five-Year Plan, a task which is both arduous as well as glorious. The Sixth Congress of the Communist Party of Anhui Province, which came to an end a short time ago, prepared a grand blueprint for reform and construction in Anhui Province during the coming five years. Governments at all levels and the people of the entire province must rouse themselves for vigorous effort to achieve completely the struggle objective and various tasks set forth by the people's congress, and to create a new overall situation in the work to be accomplished in Anhui Province.

## **II. Let Us Work Hard To Maintain Continued Rapid and Healthy Development in the National Economy**

The following is the ideology that is to guide this year's economic work in Anhui Province: **Conscientious implementation of the spirit of the central government economic work conference, close integration with the realities of Anhui Province, launching new work of a creative nature, a more vigorous emancipation of the mind, expanding reform and opening wider to the outside world, expanding economic development, expanding the extent to which work is actually accomplished, exerting efforts to raise the quality and economic returns of economic growth, and maintaining continuous rapid and healthy economic development.** The initial arrangements include increasing the GDP by 12 percent; increasing the total value of village and higher-level industrial output by 18 percent; increasing the total agricultural output value by 6.5 percent; increasing fiscal revenue by 13 percent; definitely achieving a distinct decline in commodity price increases, as compared with those of the preceding year; and keeping prices at the national average. These are the positive targets, still leaving some room for margins, and in actual execution one should indeed try for even somewhat faster and better performances.

**Gaining control of the currency inflation, controlling the excessively steep rise in commodity prices.** This is the main task of this year's macroeconomic regulation and control, as it is also the key link in the effective handling of relations between the three factors of reform, development, and stability. We must exert efforts to develop production and conscientiously implement the various government measures for the control of commodity prices, and we must use economic, legal, and, in case of necessity, also administrative means for comprehensive control of currency inflation.

We must make the "rice bag" and the "market basket" our major concern, increase effective supplies, and stabilize market prices. This year, supply and demand of foodstuffs in Anhui Province have been in balance overall, but there have been large differences in the variety of products offered and also between different regions, a fact which requires that serious attention be given to circulation. We must bring the functions of the major channels—state-owned commerce and supply and marketing cooperatives—fully into play and do a good job of procuring and allocating supplies of all the main agricultural products, particularly grain and cotton. We must establish stable grain procurement and marketing relations, and must achieve regional and structural balances in the supply-demand situation of grain. We must strengthen the "market basket project"

by increasing supplies of meat, poultry, eggs, and vegetables in the market. We must pay attention to strengthening the capacity of the government to regulate and control the market. This year, the province and the cities, i.e. both administrative levels, will start stocking reserves of grain, pork, and other important commodities. As to the required funds, banks will arrange for special loans according to the principle of each administrative level to bear its own responsibility, while interest is to be paid by the treasury.

We must earnestly strengthen commodity price controls and the pertinent supervision and inspections. In the case of grain, edible oil, meat, vegetables, and agricultural means of production, we will continue the system of ceiling prices and control of differentials, thereby definitely ensuring essential stability. We will consolidate and improve results of the reform of the circulation system for important means of production, such as chemical fertilizer, pesticides, and refined oil. We will also reduce intermediary links and circulation costs. Greatest emphasis in price reform will be placed on such areas as standardizing price behavior in the market and on a sound system of price regulation and control. This year the provincial government will in principle not issue new price regulation measures, and the various prefectures and cities must not by themselves issue any such price-regulating provisions. Departments in charge of commerce, commodity prices, and technical supervision will strengthen their supervision and control of the market, launch struggle against unfair competition and profiteering, severely crack down on the manufacture and marketing of counterfeit products, and resolutely stop the arbitrary raising of prices and arbitrary imposition of fees, while supervision and investigation of prices will continue for 21 daily necessity items and service charges.

We will accurately guide social demand and prevent excessively rapid increases in consumption funds. We must widely propagate a policy of arduous struggle and of industry and thrift in all affairs. We will practice economies and reject extravagance and waste. We will continue to effectively check consumption funds, strictly enforce wage policies, and control consumption by social groups. At the same time, we will pay attention to the tightening of macroeconomic control of investment in fixed assets and prevent low-level and duplicative construction.

Control of currency inflation involves a large area, presents great difficulties, and requires strengthening of leadership. We will continue to practice the responsibility system of administrative chiefs and will split up the overall objective of price control for distribution to various administrative levels. The whole province, high

and low, must jointly exert efforts to bring this endeavor to definite fruition.

**Comprehensive development of the rural economy, accelerating the progression to a state of a relatively comfortable standard of living.** To hasten our progress to a relatively comfortable standard of living, we must take on the entire range of rural work and definitely place agriculture at the top of all economic work. We must indeed fully achieve the following: ideological understanding, strengthened leadership, establishment of legal and regulatory policies, sufficient input into agriculture, the scientific promotion of agriculture, and all the various measures of reform. Our strategy will be a firm: "One part stable growth, two parts accelerating development." Guidance must be in the direction of industrialization and urbanization, and the core intent will be to increase peasant incomes. We will accelerate adjustment and optimization of our production structure and mix; exert greatest effort in promoting rural industrialization, urbanization, and modernization and in raising the economic efficacy of agriculture as a whole and the comprehensive production capacity of the villages; ensure effective supplies of agricultural products; and raise the income of peasants by a substantial margin.

Maintaining steady growth of grain production, accelerating the development of a "high-quality, high-yield" agriculture. The total grain-growing area should be held steady at around 90 million mu, producing a total of around 26 million tons. The total cotton-growing area should be held at 6 million mu, producing a total of 300,000 tons; total production of oil crops should be 1.65 million tons. Driven by market mechanisms, structural readjustment is to become more and more a conscious action of the peasants, and governments at all levels will adroitly guide such action according to circumstances and shift the focus of their work to giving policy support to guidance by means of demonstration, rendering services in production and marketing, and disseminating technologies. They will promote on a large scale the use of technologies to achieve high-yield, mainly by growing superior varieties and by superior methods. To overcome difficulties, they should earnestly take in hand effective science-supported high-yield production of grain, cotton and oil-bearing crops and the systematic development of the production of pongee, silk, brocades, and also tea, as well as the breeding of common cattle. They will promote accelerated development of cash crops, poultry raising, and aquiculture. Let us take full advantage of state policies in support of the comprehensive development of agriculture in the Huang-Huai-Hai region and for setting up particular counties for large-scale production of commodity grain and cotton. A priority item will be the setting up of model



agricultural zones, model aquaculture zones along the Changjiang, and particular counties for large-scale production of commodity grain and cotton, and the creation of a Hefei high- and new-agrotechnologies park, thereby promoting large-scale operations in agriculture. We will also continue to effectively carry out afforestation and greening, as set forth in the Eighth Five-Year Plan, launch a second round of activities in forestry, and gradually build up a well-developed forestry ecosystem, as well as a well-developed forestry industry. We will also give consideration in planning to, and include in our work, the teaching of agronomy, devoting major efforts to the training of qualified agro-technical personnel to have a stable contingent of agronomists, and to restoring and perfecting the system of agronomic services.

Agriculture is presently a feeble industry in the national economy, and we must therefore determinedly increase input, improve the agricultural infrastructure, strengthen its capacity to fight natural calamities, and, based on such capacity, strive for abundant harvests. This year's fiscal budget provides for a 39.5 percent increase in subsidies to agriculture throughout the province, and expenditure by agricultural, forestry, aquaculture, and petroleum enterprises has increased 36.9 percent. Prefectures, cities, and counties will also increase their input into agriculture to gradually establish an agricultural investment organization, participated in by the state, collectives, and the peasants. We will definitely strengthen management of agricultural investments, ensuring that such will indeed be applied at proper places, strictly prohibiting any diversion of such funds. Water conservancy will particularly deal with the digging of new riverbeds due to the threat of floods, including regulating the Kuaihe River and flood prevention work along the Changjiang and Huai River. Reservoirs will be made safe and reinforced. It will also comprise providing drinking water for people and animals, and ancillary work in the irrigation areas of the Pi, Shi, and Hang rivers. Capital construction on a large scale will also be launched in water conservancy work for farmland, and the management and maintenance of conservancy installations will be strengthened, paying closest attention to the control project at Linhuaigang, the Bailianya and Gangkouwan reservoirs, and to the initial stages of work for the diversion of Changjiang water to the Huai River. At the same time, we will actively support industries producing goods for use in agriculture, and we will raise the level of mechanization in agriculture.

We will unswervingly accelerate the development of town and township enterprises, and will always treat the matter of town and township enterprises as an important task in our efforts to achieve a relatively comfortable standard of living in rural areas and to promote

rapid economic development throughout the province. We will firmly maintain that quantitatively large development and large qualitative improvements are of equal importance. We will strive hard to have the scale of aggregate growth not fall below that of last year and to have quality and economic returns raised to a distinctly higher level than last year. We will continue to carry out the development strategy of "working on both ends and pulling along the middle." On the one hand, we will effectively pursue the "1235" project, creating a set of highly competitive modern enterprises, while, on the other hand, also supporting rather weakly constituted places, promoting their quickest possible development. We will attach importance to the setup of small industrial zones to promote a relatively concentrated, closely adjoining development of village and township enterprises. The reform of town and township enterprises must be continued in greater depth, and their reproduction mechanisms optimized. New breakthroughs have been achieved in promoting the cooperative shares system and the development of enterprise groups. All trades and professions will, just as in the past, support town and township enterprises and see to it that every supportive policy is actually being carried out.

We will conscientiously organize and carry out the "3358" plan for escape from poverty and for attainment of prosperity. This year is the crucial year for essentially resolving, within three years, the food and shelter problems for three million poor. Governments at all levels in poverty regions will continue to firmly and effectively render support to the poor. We will enhance management of anti-poverty funds in order to fully bring their beneficial functions into play. The work being done by the assist-the-poor development group, and in specific cases by various circles of society, as well as key support work being done in six counties along the Huai River, will certainly all go on, so that poverty districts will as quickly as possible catch up with the move toward a relatively comfortable standard of living going on in the rest of the province.

We will further deepen agricultural reform. We will effect an extension of land contract terms and essentially try this year to complete a new round of land contracting, while also further improving the system of circulation of land use rights. We will continue to expand the area of application of the cooperative shares system by promoting the cooperative shares system in agricultural cultivation, animal husbandry, aquaculture, and forestry. We will vigorously pursue the work at the Fuyang experimental zone for rural reform. We will continue operating pilot projects for the reform of methods of collecting taxes and fees in the rural areas. We will devote great effort to the integration of trade, industry, and agri-

culture and to developing one organization to comprise all the various types of social services. We will deepen the reform of all state-owned agriculture, forestry, animal husbandry, and fishery enterprises, so that their exemplary role may be further enhanced. Peasants moving out to work or to engage in trade is a new development of great topical significance; it should receive enthusiastic support from governments at all levels, which should realistically strengthen relevant organizational management and guidance. At the same time, we will actively promote the buildup of small cities and the reform of the residence registration system, speed up development of secondary and tertiary industries in rural areas, and raise the capacity of villages to absorb surplus manpower themselves. We will continue to strictly enforce all relevant rules and regulations. We will without fail hold down the [tax and fees] burden of the peasants to within 5 percent of their net income of last year and prevent any relapses, as we will also insist on fiscal openness and stricter supervision and control.

**Maintaining rapid growth in the industrial economy, exerting efforts to raise the quality and economic returns in such growth.** Three major tasks must be effectively accomplished: adjusting the product mix, accelerating technological transformations, and enhancing enterprise management. While maintaining rapid growth, we must exert ourselves to raise the quality of this growth and also strive to attain the average national levels in the main annual indices of economic returns.

Accelerating adjustment of the product mix, exerting great effort to develop new products, following a strategy of creating brand-name products. We must enhance awareness of the need to develop new products and make development of new products a key task to be pursued this year in industrial production. Industrial enterprises throughout the entire province must this year guarantee fulfilling the task of developing 1,859 new products, and these products must be of a substantially higher value. We must exert efforts to enhance the capacity of enterprises for technological development. We will energetically pursue construction of the three state-level technological development centers of the Meiling, Rongshida, and Chache groups and the eight provincial-level technological development centers, and have them functioning as soon as possible. The policy of supporting the development of new products will be continued, and the province as well as the prefectures (cities) will set up and replenish technological development funds as inducements for enterprises to develop new products. With this foundation for widely developing new products, we must follow consumption trends and meticulously organize and implement a strategy of creating brand-name products. Existing brand-name prod-

ucts must be affirmed in their position and improved to increase their share of the market. Trades that so far have had no brand-name products will study the market and as soon as possible create their own brand-name products.

We will exert great efforts to promote technological transformations and, in this respect, start out high. This year our support will go to priority trades and key products, and we will start up the "5511 project" for technological advances in all industrial enterprises. Our foremost attention will be on key materials, such as steel and nonferrous metals, automobiles and machinery, electrical household appliances, fine chemicals, and construction materials, and there will be 50 key enterprises that will head the program. We will in this way expand the whole potential of technological transformation, carrying out 100 cases of key technological projects, promote the merging of mechanical and electrical engineering into one organic whole, and promote ten key technologies, including bioengineering, combined casting and milling, etc., and in this way, too, speed up creation of a new growth point in the industrial economy.

Strengthening enterprise management is an important aspect of our efforts to raise quality and economic returns in our economic growth. We will continue our activities of "shifting mechanisms, improving management, perfecting internal workings, and increasing returns." We will indeed enhance management, reduce costs, and raise labor productivity. Quality control will be taken up as an item of key importance, comprising strict implementation of the "Law on Product Quality." We will actively explore new management methods, as called for in any system of modern enterprises, and strengthen macroeconomic control and guidance in matters of quality. We will rely primarily on prevention as we emphasize safety in production.

We will continue the responsibility system for restoring profitability and fight relentlessly the uphill battle of turning losses into profits in state-owned enterprises. In this respect, government departments concerned in all the various localities did outstanding work last year, stopping the trend of increasing deficit operations among enterprises. We will consolidate our past achievements, raise confidence in the ability to straighten out operations in state-owned enterprises, and keep up efforts to turn enterprise losses into profits. This year's budget provides for a 15-percent decline in the amount of enterprise losses and a 10-percentage point reduction in the regional spread of such losses. We will continue to inject startup funds into enterprises with recovery potential and replenish such recovery funds at the provincial as well as at the prefectural (city) levels. The problem of enterprises with large deficits of 1

million or more yuan will be settled comprehensively, but with particular policies for each case. Enterprises should firmly focus their attention on their internal situations and mainly rely on their own efforts, bringing staff and worker enthusiasm fully into play, to resolve the problem of their unprofitability. For the success or failure of enterprise operations it is extremely important to have selected personnel with leadership character, and governments at all levels, as well as all relevant departments, must do a good job of setting up leading groups, and do everything possible to provide enterprises with an excellent environment for growth and creative development.

Utmost attention must be paid to the problem of small enterprises, and while continuing the good work of reforming the property rights system, study must be devoted to formulating a supportive policy. Departments in charge of the various trades will intensify their goal-oriented guidance and render their best service in the formulation of plans for technological transformations, in the training of administrative staff, and in providing market information.

**Vigorous development of tertiary industry, accelerating development of the market system.** Although tertiary industry has made considerable progress in Anhui during the last few years, it has generally remained at a low level. Added value of tertiary industry amounted to only around 27 percent of the GDP, and it is by far insufficient to meet the needs of the social and economic development. Changing as quickly as possible the state of retarded development in tertiary industry is of extreme significance for the accelerated nurturing of the market system in Anhui Province, and also for the expansion of circulation, for providing additional employment, and for our efforts to optimize the economic structure. We will persist in a policy that will be beneficial for all simultaneously, the state, the collectives, individuals, and also for foreign capital, giving everyone freedom to develop and making this the most important factor of growth in Anhui's economic development.

Buildup of the market system is an important element of the development of tertiary industry. Focal points for this year's work are strengthening the infrastructure, improving business management, and raising service quality. We will continue to develop all the different types of markets, to strengthen the buildup of a commercial network, aiming at as many as 100 markets with each having a 50 million or more yuan business volume per year, and 20 markets with a business volume in excess 100 million yuan. The ten large commercial houses, one being the "Anhui metropolis of commerce," and ten specialized markets, one being "North Anhui motors," all being designated as objectives for development during

the term of the present provincial government, will be built up as the modern enterprise system requires. An effort will be made to have them first-rate as to scale, installations, service, and economic efficiency, and to have them play an exemplary role. Large-scale shopping centers will create brand-name products, set up branch stores, and develop chain-store operations. Small commercial enterprises will excel by the superiority of their group-operation methods and reasonable locations and by being convenient for the masses. We will at the same time accelerate development of markets for the key elements of production, such as capital, technologies, information, real estate, and labor, thereby promoting the rational allocation of such key elements of production. We will also continue to develop the securities trade, which in Anhui actually has had an early start and a fairly rapid development. Development should also be accelerated of such professions as lawyers, notaries public, accountants, auditors, and tax agents, and also of intermediary market organizations, such as information and consultation services, asset assessment services, and furthermore also of general agencies, auction houses, material supply centers, and general service centers, thereby gradually building up a fairly sound system of intermediary services. Policies will be further liberalized, and utmost encouragement and support will be given to the rapid development of individual and private business operations.

**Increasing the extent of investments, optimizing the investment structure.** In Anhui, investments in fixed assets are lower than the national average and are also of a particularly small scale, making it imperative, therefore, to increase the extent of investments and gradually to raise the rate of investment to a level commensurate with economic development. We will continue our efforts to actively enlist the support of banks as main channels for such investments and the support of the relevant departments of the state, and we will try to obtain loans from foreign governments and international monetary organizations, in addition to obtaining ordinary commercial loans. We will also raise capital from the general public by other measures, such as by securities financing, and by the remunerated use of insurance funds to increase the aggregate money supply.

As the amount of investments is bound to be limited, it is particularly important to optimize the investment structure and raise the economic efficiency of investments, always acting with due regard for national industrial policy. Strength must be concentrated on important affairs, on ensuring key points, on protecting investments, on protecting final settlements, and on strengthening basic industries and infrastructure. Consistent with the directional and efficiency principle of the market,



projects that promise to be "short-term, of parity value, and rapidly achieved" will be given priority. We will further expand investment for technological transformations, and will strive to have these investments reach 3 billion yuan this year, also striving to achieve a balanced allocation of funds in accordance with progress made in the projects in questions.

Tightening control of construction in progress, heighten the rate of completed projects, ready for production. This year we will give priority attention to the continuation and completion of 27 large and medium-sized construction projects scheduled by the state and to ensuring the smooth execution of some local key construction. Construction will be completed of the Anqing acrylonitrile/nitrile fiber plant, the Suxian plant for synthetic detergent raw materials, the Changjiang bridge at Tongling, the No 1 generating unit at the Ma'anshan No 2 Power Plant, the Anhui section of the Beijing-Jiulong railway, and the No 211 engineering building at Anhui University. Essentially completed will be the Hefei-Jiujiang railway, the Fuyang railway hub, the Hefei railway hub, the Hefei-Chaoxian-Wuhu expressway, the Da-Long section of state highway No 312, and the Tongling Cement Factory. Constructions will be accelerated for the Ma'anshan H-type steel plant, the Liu-Ye highway, the Hefei 500,000-volt transformer project, the Xuan-Guang section of state highway No 318, and the technological transformation at the 300,000-kw generating unit of the Tianjia'an power plant. There will be cooperation with the state in the initial design of the large bridge over the Changjiang at Wuhu and in the preparations for the start of its construction. The early stages of preparatory work for the expansion of the Chizhou power plant and the extension of Hefei's Luogang airfield will have our close attention. We will give effective attention to highway administration at different administrative levels, and will accelerate construction of county and rural highways. We will speed up the development of communications in the rural areas and raise the rate of popularization of agricultural terms.

We will effectively undertake environmental protection and land management and are firmly determined on the "blue water and blue sky" plan of environmental protection. We will give priority attention to the prevention of water pollution in Huaihe River and Chaohu Lake. We will try to have the Asian Development Bank include regulation of Chaohu Lake in the list of its projects and to have anti-pollution work at the Huaihe River given consideration in plans for future foreign loans. We will maintain and perfect the system of basic farmland protection by prohibiting abandonment of land and arbitrary occupation of arable land, while we must strengthen,

according to law, the overall control of urban and rural markets for land transactions.

**Striving to improve the financial situation, earnest efforts to do a good job at managing monetary affairs.** We will intensify the drive for increased revenue and for economies in expenditures in order to achieve a balance of income and expenditure in our public finances this year. We will be strict in financial management at the different administrative levels, always observing the principle of "wealth must sustain taxes." We will give priority attention to buildup of financial resources at the county level; give preference to support of large and medium-sized state-owned enterprises, village and township enterprises, and to tertiary industry; support high-quality, high-yield, high-efficiency agriculture; and build up increased financial revenue on the foundation of economic growth. We will continue to enhance administration and control of tax revenue and completely fulfil the task of state revenue collection. We will further strengthen expenditure control, do a good job of granting credit from public finance, optimize the expenditure structure, and use capital funds with greater efficiency. Strict controls will be imposed on extrabudgetary funds, and new measures are being studied for management to enhance their functions.

The financial departments have done much work in support of local economic development. This year the reform of the monetary system will be further pursued, optimizing the loan structure and improving financial services. The People's Bank will conscientiously enforce national currency policies and step up monetary supervision and control in order to maintain monetary order. State-owned commercial and policy-oriented banks will fully function as major channels, broadening sources of funds, increasing investment credits, and aiming at ultimately increasing the amount of various deposits to 16 billion yuan and the amount of various loans to over 20 billion yuan. Efforts will be made to ensure funds for the procurement of farm and sideline products and for key construction projects, while action will be taken to solve the problem of insufficient working capital. Efforts will be made to ascertain the amount of funds actually available and to appropriately control the level of cash reserves. Within the limits set by national policy, the possibility of short-term call loans and of providing direct financing services will be explored. Great efforts will be expended on the development of the insurance business.

**Formulation of the Ninth Five-Year Plan must be well attuned to the needs of development that will extend into the next century.** It is most important that the Ninth Five-Year Plan fully manifest the spirit of the sixth provincial party congress and reflect in depth

the special characteristics of the market economy, and in this way meet the demands of a development that will extend into the new century. We must particularly stress the strategic nature and guidance character of the plan. There will be thorough investigations, full debate, and soliciting of opinions on a broad scale before determining the overall objectives of Anhui Province during the period of the Ninth Five-Year Plan to optimize regional economic arrangements and to provide solutions to problems that affect the overall situation. We must consolidate the traditional industries that have gained prominence and devote efforts to the development of high-quality, high-added-value, high-profit products; create new pillar industries; strive to take on large-scale projects; and attempt to reach 100 billion yuan in aggregate investments, thereby further improving the logistics for economic development in Anhui Province.

The Ninth Five-Year Plan must give full consideration to the problem of a higher level of urbanization for Anhui Province. On the one hand, we will accelerate the process of urbanization in rural areas and will allow the development of small cities, but will also, on the other hand, establish the view that Anhui needs large modernized cities and must devote time and energy to their buildup. We will, first of all, complete development of the provincial capital of Hefei, and have Hefei as soon as possible become a modernized large city. We will then also actively encourage all other cities to vie with each other in achieving similar development.

Deputies! If we are to effectively accomplish this year's tasks, starting out from a new point of departure and under the new situation, we must closely integrate the spirit of the Central Committee with the realities of Anhui Province, show creativity in our work, truly grasp the situation at the higher levels, sound out the situation at the lower levels, correctly select points of integration, and "put on a good local show." It will at the same time be necessary to completely and accurately analyze the situation, maintain a sober mind, and be mentally fully prepared for difficulties and problems in the course of development. Always maintain the initiative in your work, remain hopeful whenever difficulties arise, seek new motivation under pressure, and in general competition accelerate development.

### **III. Deepen Reform of the Economic Structure, With Particular Focus on the State-Owned Enterprises**

This year is important because it is the year in which reform of the economic structure enters a phase during which the last strongholds of resistance will be assaulted. The major tasks of the reform are primarily to

reform state-owned enterprises, with the objective of establishing a system of modern enterprises. Its secondary objectives are setting up a system of social security and consolidating and perfecting reform of macroeconomic controls.

Effective reform of the state-owned enterprises is of vital significance for establishment of the socialist market economy and for raising the quality of our national economy. Looking at the realities of Anhui Province, we see the necessity to perform three tasks effectively: First, achieving outward reforms. We must continue to effect a shift in the business mechanisms of enterprises, alter the functions of the government, separate government from enterprise functions, and create excellent external conditions that will make it possible for enterprises to exercise full autonomy in their business operations and be fully accountable for their own profits and losses. Second, setting up of experimental projects. We must concentrate energy, coordinate the strength of all quarters concerned, and conscientiously and effectively conduct the experiments of instituting modern enterprise systems in 52 companies designated by the state and the province for that purpose. The experiments will have to come to grips with the key points and difficulties in the present enterprise reform. In the course of their efforts to straighten out property rights relations, they will institute a property-rights restraining mechanism, resolve the historical burdens of the enterprises, and deepen internal reform of enterprises, making substantial progress in all these directions and accumulating experience in the overall promotion of the modern enterprise system. During the experiments, attention must be paid to standardizing the present joint-stock companies, especially the Ma'anshan Iron and Steel Corporation, the Meiling Company, and the Anhui Power Company. We will actively and effectively prepare public issue of shares by the Huangshan Tourism Co., the Gujing Brewery, the Wantong Co., and the Yangzi Group Corporation, trying our best to get their shares on the market as quickly as possible. We will conscientiously pursue the experiments of optimizing the capital structure of enterprises in the two cities of Bengbu and Wuhu, and will also pursue comprehensive reform experiments at Tongling, Xuanzhou, and Yeji. Third, conducting all necessary groundwork, we will conscientiously implement the regulations for supervision and control of assets belonging to state-owned enterprises and comprehensively conduct appraisal of properties and funds, delimiting of property rights, etc., thereby ultimately setting up a sound system of management and control of state-owned assets. We will clearly establish the responsibility of management for preserving and increasing the value of state-owned assets. We will rationally adjust the asset-liability ratio

for state-owned enterprises, thereby laying a solid foundation for the next phase of deepening reform.

In pursuing reform of state-owned enterprises in greater depth, it is necessary to pay particular attention to both ends of it: added strength for the big ones, and greater vitality for the small ones. In connection with our developmental strategy of "creating brand-names, supporting the best, and 'building warships'," we have to achieve integration of restructuring the system, restructuring organizations, and remolding ideology, on the one hand, and strengthening management, on the other hand, to develop sets of intertrade and transregional enterprise groups, tied together by the bond of property rights. This year, we will form five to 10 large enterprise groups in the areas of material supplies, construction materials, grain, and oil. By devoting several years to the effort, we will be able to produce several "giant" enterprises, that will then occupy important positions in the domestic as well as international markets, and we may have them become the major mainstay for Anhui's economic elevation to an even higher level of development. The reform of the property rights system in the case of medium and small-sized enterprises will be pursued with greater force. Enterprises that have been unprofitable for long periods of time and are now insolvent may be reorganized and restructured by means of leasing and contracting, or they could adopt the cooperative shares system, declare bankruptcy, or be auctioned off.

We will actively promote reform toward a comprehensive social security system. This year we will give primary attention to urban old-age and unemployment insurance, review experiences, and perfect methods. While combining overall community planning with individual accounting, we will set up a sound system of urban old-age insurance. We will further expand the coverage of unemployment insurance and perfect the unemployment insurance system. We will appropriately expand experiments in reforming health care insurance. We will accelerate reforms in residential housing. We will safely promote old-age insurance in rural areas. The system of social relief, social welfare, and care and placement of disabled persons will also all be reformed in due course.

We will continue to pursue in depth perfection of the system of macroeconomic management. We will reform the monetary system at a steady pace and perfect the present system of monetary organization. We have already set up a provincial bank for agricultural development, and this bank will start operations at a steady pace. We will now complete examination and approval for the establishment of a Hefei branch of the Zhongxin Industrial Bank, and will also aim at establishing foreign-

funded banks, thanks to the favorable conditions at Hefei, where banking has been opened to the outside world. We will accelerate buildup of local banking institutions, and will this year actively prepare for an urban cooperative bank in Hefei, while other cities should also make efforts to develop local monetary institutions. We will accelerate reform of the investment system, improve the system of project management, strengthen the mechanism for the reduction of investment risks, perfect the new finance and tax system, study institution of a system of transferring payments from province to prefectures (cities), and actively promote reform of the financial system with regard to relations between counties (cities) and villages and townships. We will build up a sound system of collecting and administering local tax revenue and strive for the unity of financial and business-management authority. We will take firmly in hand establishment of a sound system of economic regulation at the provincial level, strengthen information gathering, and increase capacities for supervision and auditing and for advance warnings concerning certain economic operations. We will strengthen overall planning and administration of various specialized funds and income from the payment of stipulated fees and increase regulatory and control powers at the provincial level.

Establishment of a socialist market economy system is an historical process which requires a systematic reform from macroscopic down to microscopic levels. We must maintain from beginning to end an active and pioneering attitude, free ourselves more and more of old ideas, and devote our utmost energy to reform, unrelentingly promoting reform. We will unswervingly implement the reforms demanded in the unified dispositions of the state and actively and safely organize all such reform measures and put them into effect. At the same time we must, however, start out from the actual conditions of Anhui Province, establish a "grand reform" concept, and firmly uphold the principle of the "threefold beneficial acts:" courageous experimentation, courageous forging ahead, unrelenting opening up of new reform territory. We must use reform to dissolve contradictions that hamper progress and to broaden the path for new development. Reform originates from the abundant practice of the masses, and the driving force of reform is inherent in the masses. We highly value the initiative of the masses, and we rely on the masses as we continuously advance the great undertaking of reform.

#### **IV. Opening to the Outside World in Every Direction**

Opening wider to the outside world is the way to strengthen Anhui Province. Whether Anhui's economy can continue its rapid development depends to a great



extent on its extensive and in depth opening to the outside world. This is an important matter that affects the entire overall situation and that is cause for an increased sense of epochal responsibility and a sense of urgency for accomplishment of developments. It is essential that we seize the favorable opportunity and with even greater boldness of vision implement an externally oriented strategy, accelerate development of a foreign-oriented economy, and speed up linking Anhui's economy with the international economy.

In exports, our mind is set on extraordinary development: definitely to ensure annual export earnings to be in excess of \$1.4 billion and to realize an export growth rate that will be higher than the economic growth rate. To accomplish this task, we must continue to implement a strategy of large foreign economic and trade engagements and consolidate and develop an export situation in which several different channels coexist, such as foreign trade companies at the provincial, prefectural, city, and county levels, also foreign-funded enterprises, export production enterprises, export research enterprises, and enterprises cooperating in the field of labor services—all these will jointly open the international market. Foreign trade companies at the provincial level will continue to play the role of main force by their efforts to overcome the unfavorable effects of rising commodity prices and by their broadening of the scale of our exports. All the numerous productive enterprises will be imbued with a strong sense of urgency and will, on their own initiative, immerse themselves in the competition of the international market. Last year, 104 enterprises in Anhui engaged in exports on their own account, and exports grew rapidly, but Anhui's total volume remained very small, which demands that we open further export channels and rapidly increase our export volume. We must adopt such measures as advertising in foreign countries, operating joint ventures, etc., with the aim of this year adding an additional 100 enterprises that will engage in imports and exports on their own account. A larger intrusion into the international market is only possible by closely linking, in a variety of forms, industry, trade, and technology, also linking domestic and foreign trade, and by gaining advantages by large-group operations and by attaining an appropriately large scale of operations. We will continue to improve the export product mix and increase the proportions of machinery and electronics, as well as high-tech and high-added-value products in our exports. We will increase the buildup of export commodity bases, develop some "leading" export commodities, and make efforts to improve product quality. We will make great efforts to open up the international engineering contract and labor service markets and strive to increase nontrade foreign exchange earnings. We will initiate companies for operations abroad and outside the

province and have them continuously grow in strength and truly play the role of "windows." We will enhance harbor facilities, increase the volume of passenger and freight traffic, and make the most of the overall efficiency of our harbors.

We will step up efforts to attract commercial enterprises and capital investments, particularly involving foreign capital. We will fully arouse enthusiasm in all quarters for efforts to improve the investment climate, broaden channels, and raise quality levels. We will combine the use of foreign capital with adjustments of the industrial structure and the product mix. We will, on the one hand, encourage and induce foreign businessmen to invest primarily in high- and new-technology industries and export enterprises earning foreign exchange, also to transfer technologies, thus simultaneously bringing in capital as well as technologies. On the other hand, we will actively guide foreign capital also toward labor-intensive processing projects, basic industries, and the infrastructure, also to expand into developmental agriculture and into village and township enterprises. Limited by its geological conditions, Anhui Province will not be able to achieve its objective of widely attracting foreign capital merely by conventional methods. Every locality must start out from actual conditions and adopt flexible and effective measures in all such areas as fixing investment proportions, land prices, increasing capacity of water and power supplies, and disposition of debts in the enterprises of the Chinese party, and must also offer conveniences in the project examination and approval processes and in the provision of auxiliary services, thus doing a more thorough job in the interest of attracting capital. The successful operation of joint ventures must have our attention; we will raise the rate of actually available foreign capital and improve the efficiency of these investments, protect according to law the legitimate interests of both cooperating partners, and create conditions that will allow national treatment for foreign ventures. We will accelerate the process of bringing in funds of foreign loan projects, securing financing by overseas agencies of the Bank of China, and, as quickly as possible, establish business contacts with the branches of foreign banks stationed in China.

Adopting a "one thread, two ends" strategy that entails both development as well as opening up is a correct decision by the provincial party committee and government. We must lend greater force to the execution of policy, and must as soon as possible have the most economically developed regions, those with the most lively market mechanism and the most export earnings of foreign exchange, become important thoroughfares for opening to the outside world and the hot spots of foreign investments. We will accelerate the construc-

tion of two "national-status" development zones, one at Hefei and one at Wuhu, and rapidly expand their economic scale, increase their economic strength, and have them truly become model zones for opening up to the outside world for the entire province. National economic and social development plans must also include tourism, and we will accelerate the development of international tourism centered around the Huangshan and Jiuhuashan mountain ranges. We must introduce Huangshan to the world and turn it into an important "window" for the attraction of businessmen and capital investments. The major present obstacle to the development of international tourism in the Huangshan area is the lack of travel and communications facilities. We must therefore accelerate importation of foreign capital and launch comprehensive development. As we implement the "one thread, two ends" policy, we must simultaneously accelerate development and opening up in the zones along the main lines of communications, along the borders of the province, and in other places, and furthermore effectively run the 12 province-rank economic and technological development zones. We must seize the opportunity of the soon to be operating Beijing-Jiulong railway to accelerate development of northwestern Anhui. Favorable conditions will be created everywhere to bring advantageous circumstances fully into play, to accelerate opening up, and to create as quickly as possible throughout the entire province, over a large expanse of territory, an overall comprehensive and in-depth state of opening up.

Strengthening friendly relations with other countries, expanding cultural and scientific exchanges with foreign countries. In Anhui, we must rapidly train a contingent of highly qualified foreign-oriented personnel and actively import foreign intelligence. We must effectively attend to foreign affairs and to all work related to Overseas Chinese, fully utilizing all kinds of channels, expanding foreign contacts, and strengthening propaganda directed to other countries, in order to have the world understand Anhui and to have Anhui enter the world.

As we expand our opening to the outside world, we must also give utmost attention to cooperation with other provinces and cities outside of Anhui, especially with the developed zones along the coast. In recent years, the provinces along the coast have begun to shift some capital and technologies to the interior, which is a favorable development. With its location on the Changjiang and not too far from the ocean, Anhui constitutes a link connecting east and west. We will therefore bring the advantages of location, resources, and manpower fully into play, and take the initiative to strengthen economic links with Shanghai and with other provinces and cities and to engage in mutual exchanges

of what each can contribute to the other and also in joint economic developments.

#### **V. Comprehensive Development of Various Social Undertakings**

Governments at all levels of the province will implement a policy of trying to achieve greater prosperity for Anhui by means of science and education, particularly by developing education and promoting a unison of science and technology [S&T] and economics. We will accelerate the development of cultural, public health, and sports affairs, strengthen the buildup of a socialist spiritual civilization, give equal emphasis to the two types of civilization, and always maintain the coordinated development of economics and social undertakings.

Reliance on scientific and technological progress is Anhui's hope for economic improvement. This year we will observe the overall dispositions of a province-wide S&T conference and will accelerate the translation of S&T results into actual production. We will fully accomplish the "three 100-million-yuan projects" and continuously raise the rate at which S&T progress contributes to economic growth. We will further implement the policy of "firm hold on one end, letting loose of one slice," inducing scientific research institutions and S&T personnel to devote their energy, in a variety of forms, to the main battleground of economic construction. While pursuing applied and basic research, we will primarily support developmental research and the widespread application of S&T achievements. We will further foster and develop S&T and information markets. We will selectively support the setting up of experiment-based key laboratories. We will encourage the development of privately operated S&T entities and will support privately run S&T enterprises turning to high technology, foreign-oriented work, and the formation of groups. Enterprises will gradually establish sound technology development organs, set up technology development funds, and strengthen their capacity for independent development. We will continue to pursue "project 121" and the "joint production-science-research development project," as well as the key S&T projects of the Eighth Five-Year Plan, and we will broadly launch activities for the popularization of science. We will increase S&T input and gradually establish an S&T investment system of many channels. The three types of S&T expenditures annually provided by governments at all levels must not be less than 1 percent of financial expenditure. Increases in scientific research expenditure must be higher than the increase in regular fiscal revenue. Finance departments will annually increase the proportion of S&T loans, and the proportion of S&T loans of commercial banks will reach 9 percent of the scale of newly added

loans. The tax departments will further implement favorable tax policy.

Economic prosperity and social development is determined in the final analysis to the primary development of education. We must provide an opportunity in reform for the accelerated development of education in Anhui Province. We must broaden the ways education is being conceived and change the situation in which the government monopolizes education. We must stress development of education that is run by the local people, actively promote jointly run education in a variety of forms, and gradually create a new system in which education is primarily run by the government but combined with education run with the participation of various social circles. We must institute, as an item of utmost importance, the universal nine-year compulsory basic education and basic elimination of illiteracy among able-bodied youths, to definitely ensure that throughout the province by 1988 both these "basic" objectives will have been achieved. This year we will have the task of eliminating illiteracy for 600,000 persons in two counties (cities, regions) and the reduction of illiteracy among able-bodied youths reduced to below 7.5 percent. In connection with the adjustment of the industrial structure, we will exert great effort in developing vocational and adult education. In higher education, we will, on the basis of an appropriate development in scale, further adjust school distribution and the structure of vocational schools. We will continue to concentrate strength on the key construction of Anhui University, striving to include it in the state's "project 211"; we also actively support including in the "project 211" the China S&T University and the Hefei Industrial University.

Governments at all levels should adopt the view that investment in education is strategic investment and should make an effort to increase outlays for education. The urban and rural educational expense surcharge will be collected in full and effectively used, i.e., administered as "levied by the villages, administered by the counties, used by the villages." To ensure that educational development is treated as a priority item, the provincial government decided during the last few years that provincial finance allocate every year 5 million yuan as a special fund to support universal compulsory education in poverty regions and a further 2 million yuan as a reward fund for "two basics" counties. As from this year, a new educational surcharge is being levied on urban capital construction, advertising, and guest houses. We will encourage everyone in China and abroad to donate money in support of education and to raise funds and start schools. We are actively conducting initial preparations for the organization and setting up of a province-rank organization to handle educational finances. We

will further implement the "Law on Teachers," thus strengthening the buildup of a contingent of qualified teachers and protecting the legitimate interests of teachers. We will also adopt effective measures to ensure punctual payment of teacher salaries and improve pay for teachers.

We will give added attention to public health and sports affairs to raise the general health of the population. We will continue development of primary health care and accelerate the buildup of a rural health care network of grade three for medical treatment and preventative care and expand coverage of the rural water and toilet improvement work to reduce communicable diseases and local epidemics. This year's plan is for the rate of four-vaccine immunizations to reach 85 percent, taking the village as the basic unit and for around 50 percent of the rural population to enjoy primary health care, while poliomyelitis has been essentially wiped out throughout the entire province. We will consolidate and develop the achievement of having created hygienic cities. We will, according to law, intensify control of foodstuff hygiene and control of pharmaceutical and medical organizations. We will give major attention to the affairs of the disabled and effectively attend to affairs of the aged; activities for the aged will be included in the national economic and social development plans. We will launch broad-scale sports activities of a mass character, instituting a plan for overall physical fitness and also prepare well for participation in the Eighth All-China sports meet. We will do a good job in work regarding women and children and are looking forward to the opening of the World Conference on Women.

Family planning is a fundamental national policy. Governments at all levels will further strengthen the population target responsibility system; strictly enforce the laws, regulations, and policies concerning family planning; raise the quality of administration and service; and focus in particular on effective family planning work in rural areas and among the floating population. This year, we are endeavoring to hold population growth to within 17 per thousand.

Cultural development is an important side of the development of socialist spiritual civilization. On the literature and art fronts we are firmly adhering to the principle of serving the people and the cause of socialism and of letting a hundred flowers bloom and one hundred schools of thought contend, with efforts being directed toward creating excellent and colorful works that reflect the spirit of the time and inspire the people to greater exertions. We will enhance cultural work in the rural areas, take the experiments and dissemination of the "rhododendron project" firmly in hand, develop a culture market for the rural areas, and enliven cultural



activities. We will continue to promote reform of specialized troupes of performing artists and, in particular, take reform of the six large province-run theatrical companies in hand, while also offering them support in matters of policy in order to promote the performance of high-class art in Anhui Province. We will strengthen protection of cultural relics. We will do a good job of records administration and use. We will pursue the compilation of local chronicles. We will continuously work to improve the quality of broadcasts and television shows and to expand their coverage. We will take charge of installing auxiliary equipment at the provincial radio and television center, effectively control microwave trunk lines, actively prepare construction of a provincial data broadcasting center, accelerate preparations for the transmission of provincial broadcasts and television shows via satellite, and consolidate and develop the radio and TV network in the rural areas. We will enhance control in matters of book and newspaper publishing, raising the quality of publications; effectively pursue control of the culture market; and continue to conduct the war on pornography and illegal publications. We will strengthen philosophical and social science research and render service to the two types of civilization, the spiritual and the material.

Through lively and vivid forms of presentation, we will conduct thorough-going education in patriotism, collectivism, and socialism, as well as education on the national condition and the conditions of the province. We will thereby guide the people to adopt lofty ideals and an accurate world view, strengthen national self-esteem and self-confidence, and inspire love for Anhui and its economic development among the people of the entire province. We will strengthen education in social morality and professional ethics, while opposing money-worship, ultra-individualism, and decadent lifestyles. We strongly advocate the social habits of arduous struggle, diligence and frugality, respect for discipline and the law, cultured and courteous behavior, and a cultured and healthy life-style.

#### **VI. Creating Excellent Preconditions for Economic and Social Development**

**Vigorously strengthen the development of the socialist democratic legal system.** The system of the people's congresses is China's fundamental political system. Governments at all levels will periodically report on their work to the people's congresses and to their standing committees, conscientiously carry out the resolutions of these two organs, consciously accept their supervision, and respect the opinions of the people's congresses, while also strictly safeguarding the democratic rights and interests of the masses. Governments

will also periodically report on their work to the people's political consultative conference, and listen to the opinions of members of the various democratic parties and of unaffiliated personages, thereby facilitating their democratic supervision and participation in government, and enabling them to submit proposals on political matters. Beginning this year, the provincial government has decided to institute a system of having the provincial governor periodically invite deputies to the people's congress and the members of the political consultative conference for deliberation on political matters. We will render greater support for the trade unions, the Communist Youth League, and the women's federation in their work. In the case of highly important government decisions, the provincial government will solicit opinions on a broad scale from the masses at the grass roots and from various quarters of the general public, thus making democratic decisions and scientific decisions. We will strengthen development of democracy at the grass roots and the sound system of democratic management by the staff and workers of enterprises, bringing the functions of the urban neighborhood committees into play. We will effectively institute a system of discussions by village residents, a system of openness in village affairs, and a system of village rules and people's undertakings, in the interest of arousing the enthusiasm of the broad masses.

Government and administration of the province will be carried out according to law. Governments at all levels must learn about and show themselves adept at employing legal means in the administration of economic and social affairs. This year the provincial government will draw up a set of rules and regulations with regard to advancing enterprise reform, perfecting macroeconomic regulation and control, standardizing market order, perfecting public security, and expanding the scope of opening up to the outside world. This draft will be submitted to the standing committee of the provincial people's congress for deliberation. At the same time the government will draft rules, regulations, and procedures regarding agriculture, education, S&T, and cultural affairs. In the drafting of regulations and formulation of procedures, the government started out from reality with the intention of benefiting economic development, reform and opening to the outside world, and the formation of a market mechanism, and in an effort to raise the quality of rules, regulations, and procedures.

Law enforcement is the most important aspect of strengthening the legal system, as it is now also a weak link in the development of the legal system. With almost daily improvements in China's laws and regulations, law enforcement has gradually become an impor-

tant responsibility of the government. Governments at all levels, as well as all the various government departments, must definitely shoulder responsibility for administrative law enforcement. We must therefore set up a contingent for administrative law enforcement of a quality consistent with the importance of law enforcement, strengthen ideological buildup, perfect the law enforcement system, and strictly enforce law and discipline. We will strengthen supervision of administrative law enforcement and severely punish defiance of law and bending the law for the benefit of relatives or friends. We will perfect the systems for administrative reconsideration, compensations, and for responding to administrative complaints. All organs of the judicial administration will continue to effectively carry out the "two-five system of popularizing law" [two days a week for office work and five days for outside propagation and popularization of the law]. All relevant departments will take the initiative in propagandizing about those laws and regulations that relate to their official responsibilities.

**Efforts to protect social stability.** Stability is the prerequisite and foundation for all reform and development, and governments at all levels must assume strict responsibility for ensuring peace and security in their areas. We will continue to exercise comprehensive control to ensure public security and will take strong measures against violent crimes, road banditry, abduction and sale of women and children, and other serious crimes, and also against serious economic crimes, such as graft, embezzlement, and bribery. We will eradicate underground gangsters and hoodlums and will strictly, according to law, control public security, and step up capacities for precautionary action, for more channels to gain information, and for actual control in matters of public security. We will enhance prison administration and administration of juvenile detention camps and effectively conduct civil mediation. Relevant departments and personnel must clearly recognize their responsibilities and be wholeheartedly devoted to their duties. We will strengthen the administration of fire fighting facilities, as well as traffic safety and safety in public places, in order to prevent disastrous fires and bad traffic accidents.

This year, Anhui Province has for the first time instituted a system of guaranteed minimum wages, which is an important measure to safeguard the legitimate rights and interests of staff and workers, and a measure which will also contribute to greater social stability. Governments at all levels will urge enterprises to institute this system. We should feel concern for staff and workers of enterprises that are beset with particularly serious difficulties, also for people in districts that have suffered natural calamities or people living in poverty districts,

and we should ensure their basic livelihood. We will perfect the system of social relief and appropriately raise the standards of granting relief.

Handling written or verbal petitions is an important method of maintaining contacts between the government and the masses. Governments at all levels must regard this work as highly important. Rational demands presented by the masses must be resolved in good time. For those that cannot be resolved temporarily, the circumstances of the delay must be explained; there must be no evasive perfunctory action and no shifting of responsibility to others. We will institute a responsibility system for handling verbal or written petitions and will constantly work for improvement of the system. The provincial government has decided to institute from this year on a "system of soliciting and collecting suggestions from the people" to be able to heed suggestions from a broad stratum of society.

**Realistic efforts to establish clean and honest government.** Governments at all levels must recognize the importance of establishing a clean and honest government as a matter of life and death for the nation. Establishing honest government and the struggle against decadence must be pursued in depth, and we must be determined to resolve problems that can be cause for violent reactions among the masses. We must be firm in arranging for the self-assessment of integrity by cadres of county (department) and higher ranks. The same demand for self-assessment of own integrity must be made in the case of public servants of section (village) section or higher ranks and for executives in state-owned enterprises. We will prosecute cases of law and discipline violations with increasing vigor, particularly in cases of law and discipline violations that have occurred in leading administrative organs, administrative law enforcement organs, and in economic control departments. We will primarily prosecute cases of law and discipline violations by leading cadres of county (department) ranks. We will continue thorough rectification of all unhealthy practices in the various trades and continue the work of administrative disposition of cases of a special nature. We will take particularly vigorous action against three types of "unhealthy practices," namely, the unauthorized establishment of checkpoints on highways to collect unauthorized fees and impose unauthorized fines, the unauthorized imposition of levies on the peasants, and the unauthorized collection of fees for attendance at middle and primary schools.

**Strengthening establishment of political power at the grass-roots level.** People's governments at the village and township level and subdistrict offices are the grass-roots organs of the administration and as such bear heavy responsibilities. We will strengthen their setup

and improve their various operations. We will provide training, in a planned way, for all personnel at the grass-roots level, aiming to achieve within three years a distinct improvement in the quality of personnel serving in leadership positions at the grass-roots level.

**Qualitative improvement of government work.** Under the new conditions of reform and opening to the outside world, personnel in government organs at all levels will conscientiously study Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, market economics, the law, and also modern science. Combined with the operation of the public servant system, we must nurture, in a planned way, working personnel for public organs and raise the professional quality of personnel in government agencies. Governments at all levels must enhance their capacity for comprehensive coordination, definitely improve their workstyle, reduce meetings and paperwork, cut down on unnecessary entertainment, and raise work efficiency. All government personnel must firmly accept "service to the people" as their purpose, definitely foster the viewpoint of being public servants, firmly accept the mass viewpoint, listen attentively to the voice of the masses, be concerned about the sufferings of the masses, and also resolutely overcome bureaucratism. We must heighten their sense of discipline and have them strictly enforce all orders and prohibitions and ensure that government orders reach everyone unimpeded.

Structural reform is now taking place throughout the province. Departments directly under the provincial government will soon have completed the "three fixed-quotas" work [producing, purchasing, and marketing grain], and we will try hard to complete within the first half of this year structural reform in prefectures and cities, while structural reform in counties and villages will essentially be completed before the end of the year. The focal point of the present structural reform is on the shifting of government functions. Through the reform, governments at all levels will further change administrative methods to meet the demands of the market economy.

We will conduct national defense education on a broad scale and strengthen national defense awareness among the entire population. We will now, in the new situation, effectively carry out training for reserve duty of military units and people's militia; effectively attend to the integrated peacetime-warfare usability of bomb shelters; conduct, in a down-to-earth manner and on a long-term basis, support for army personnel and preferential treatment for families of revolutionary army men and martyrs and constructive activities jointly undertaken by the military (militia) and the people; make appropriate arrangements for the placement or retraining of retiring

army personnel; and unrelentingly consolidate and develop further the excellent unity between the army and the government and between the army and the people.

We will step up work with regard to nationality affairs and religion, safeguard the unity of China's various nationalities, protect the freedom of religious beliefs of all citizens, and take strong action against violations of law and criminal acts committed disguised as religion.

Guided by Secretary-General Jiang Zemin's recent important speech on promoting the peaceful reunification of our motherland, we will enhance cultural, educational, S&T, and economic exchanges and cooperation with Taiwan, improve substantially all work relating to Taiwan, and make our due contributions to the grand undertaking of reunification of the motherland. At the same time we will make efforts to expand our contacts and cooperation with Hong Kong and Macao.

#### Deputies!

The sixth provincial party congress has made correct decisions of a comprehensive, directional, and strategic nature in issues relating to Anhui Province. Governments at all levels will vigorously implement these decisions. It was not easy to arrive at these decisions, and it will be even more difficult to put them into effect. A valuable decision is only effective when it is put into effect. We will persist in starting out from reality, speak the truth, stimulate genuine enthusiasm, do real work, and seek real results. In determining ideology, we will open new paths and create new things; in actual work we will be diligent and meticulous; and in our work style, we will be honest and perform effectively. Particularly cadres in leading positions must "lead the charge," be indifferent to fame and fortune, do effective work, and be models in working for the development of the country. We will resolutely oppose practicing fraud and deception and will abstain from boasting and exaggerating. We will resolutely oppose perfunctory work and a formalist workstyle. We must definitely safeguard the authenticity and inviolability of statistical data. This year is a critical year, being one of the "three years of great development and five years of great advances," which the present government hailed it will achieve during its term of office. We are firmly resolved to continue our efforts with utmost perseverance, we will accomplish all tasks to a hundred percent, and we will make every effort to reach the predetermined targets.

#### Deputies!

Anhui is blessed in material respects and has an outstanding population and a fruitful soil. On this piece of soil, full of vitality and good prospects, the diligent and intelligent people of Anhui are in the



process of creating, full of confidence, a most beautiful future for which opportunity will occur only once in a thousand years. The situation urges people to forge ahead, and Anhui has in fact already entered a new era of accelerated development. Let us unite even more closely and rally around the party Central Committee, headed by Comrade Jiang Zemin. We will be guided by Xiaoping's theory of building socialism with Chinese characteristics, by the fundamental political line of the party, and by the party committee of Anhui Province, as we fight with the utmost determination, with one heart and one mind, as we take even more vigorous strides to march into a brilliant and magnificent tomorrow!

#### Fujian Province 1994 Statistical Report

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[Communique issued by Fujian Provincial Statistics Bureau on 24 March 1995: "Statistical Bulletin Issued by Fujian Provincial Statistics Bureau on National Economic and Social Development in 1994"]

[FBIS Translated Text] Under the leadership of the provincial party committee and the provincial government, the people of the whole province adhered to the general policy of "seizing the present opportunity, deepening reform, opening the country wider to the outside world, promoting development and maintaining stability," implemented the measures of the Central Committee for the strengthening and improvement of macro-control, and made big strides forward in the reforms of the financial, taxation, banking, foreign exchange, pric-

ing, and circulation systems in 1994. The national economy saw sustained and rapid development. The comprehensive strength of the province further increased, and the province was opened to the outside world on a higher level and on a broader and deeper scale. Science, technology, education, culture, public health and other social undertakings developed in an all-round way, and the livelihood of the people in the urban and rural areas further improved. According to preliminary statistics, gross domestic product for the year was 168.5 billion yuan, an increase of 21.2 percent over the previous year. Of this total, the value added of primary industry was 36.5 billion yuan, up 10.8 percent; that of secondary industry was 72 billion yuan, up 31.7 percent; while that of tertiary industry was 60 billion yuan, up 15.4 percent. The main problems in economic development were: The margin of increase in market prices was too wide, the agricultural foundation was weak, and some state-owned enterprises had difficulties in production and management.

#### I. Agriculture

In spite of extraordinarily serious floods and waterlogging and other natural disasters, the province reaped satisfactory harvests in agricultural production. The total area under crops was 42,014,600 mu. Of this total, the sown area of grain was 30,033,700 mu, 1.8 percent or 525,600 mu more than in 1993. The mix of economic crops was readjusted, with increases in the sown areas of vegetables, fruits and peanuts and decreases in the sown areas of tobacco, medicinal herbs and sugar cane.

The output of major farm products as follows:

	1994 (tons)	Increase over 1993 (%)
Grain	8,874,000	2.1
Oil-bearing crops	216,000	4.5
of which: Peanuts	200,800	5.6
Sugarcane	2,767,700	-0.9
Cured tobacco	60,600	-51.2
Edible fungus	252,800	32.9
Tea	82,400	7.0
Fruits	1,981,300	28.9

Steady progress was made in forestry production. The new afforested area in 1994 was 684,600 mu. The

forest coverage rate was 52.4 percent, the highest in the country.

Overall growth was made in animal husbandry production, and the production of meat, poultry, eggs and milk registered increases of various degrees.

**The output of major animal products and livestock as follows:**

	1994	Increase over 1993 (%)
Pork, Beef and Mutton	926,800 tons	11.5
of which: Pork	902,600 tons	11.2
Cow milk	59,200 tons	1.7
Fowl eggs	230,200 tons	19.5
Pigs delivered to slaughter houses	11,207,300 head	9.7
Pigs in stock	10,623,600 head	4.0
Large animals in stock	1,303,400 head	0.3

Continued progress was made in fishery production. The output of aquatic products in 1994 was 2,266,100 tons, an increase of 19.0 percent over the previous year. Of this total, the output of freshwater products was 262,000 tons, up 37.9 percent, and that of marine products was 2,004,100 tons, up 16.9 percent.

Further improvement was made in the conditions for agricultural production, and the agricultural foundation was still weak. By the end of 1994, the total power of the province's farm machinery was 7,297,000 kilowatts, an increase of 5.2 percent over the previous year.

There were 4,000 large and medium-sized tractors, a drop of 6.6 percent; 158,400 small and walking tractors, up 3.5 percent; and 18,200 trucks for agricultural use, up 10.0 percent. The total capacity of electric irrigation and drainage machinery for agricultural use was 619,700 kilowatts, up 0.9 percent. A total of 1,014,500 tons of chemical fertilizers (100 percent effective content equivalent) were applied in 1994, up 10.0 percent. Rural consumption of electricity in the year was 3.604 billion kwh, up 23.6 percent. Irrigation and water conservancy

facilities in the rural areas were further reinforced, and the acreage of farmland with effective irrigation system was increased by 109,800 mu.

## II. Industry and Construction

Industrial production continued its rapid growth. In 1994, the total value added of industry reached 61 billion yuan, an increase of 33.1 percent over the previous year. Of this total, the value added of state-owned enterprises was 12.240 billion yuan, up 2.2 percent (including state-owned holding enterprises, up 3.1 percent); that of collective enterprises was 27.371 billion yuan, up 44.2 percent; while that of foreign-invested enterprises was 12.151 billion yuan, up 48.0 percent.

The growth of light industry exceeded that of heavy industry. In 1994, the value added of light industry was 39.495 billion yuan, an increase of 38.0 percent over the previous year; that of heavy industry was 21.505 billion yuan, up 24.5 percent.

**The output of major industrial products as follows:**

	1994	Increase over 1993 (%)
Yarn	65,900 tons	3.9
Cloth	210 million meters	-4.1
Chemical fibers	39,600 tons	23.0

	1994	Increase over 1993 (%)
Sugar	179,600 tons	-40.7
Salt	682,500 tons	-19.1
Cigarettes	827,600 cases	-3.7
Beer	789,200 tons	13.8
Canned food	227,100 tons	-0.9
Machine-made paper and paperboard	653,000 tons	4.1
Plastic products	186,900 tons	11.3
Bicycles	1,263,900	20.5
Color TV sets	1,594,000	2.7
Videotape recorders	300,300	6.8
Coal	9,758,000 tons	-0.7
Electricity	22,893 billion kwh	16.9
Gasoline	599,100 tons	-2.3
Diesel oil	545,200 tons	-1.7
Cast iron	671,600 tons	0.6
Steel	556,900 tons	-8.6
Rolled steel	750,300 tons	5.0
Timber	5,737,400 cubic meters	2.4
Cement	9,643,500 tons	11.4
Plate glass	1,475,400 weight cases	32.7
Sulfuric acid	274,800 tons	11.6
Soda ash	52,200 tons	6.3
Caustic soda	103,200 tons	8.2
Chemical fertilizers	491,200 tons	11.8
Chemical insecticides	8,000 tons	21.2
Metal cutting machine tools	1,650 units	-34.8
Loading machinery	2,493 units	5.7
Internal combustion engines	1,447,800 kilowatts	7.0
Motor vehicles	4,909	21.9
Small tractors	50,800	11.2
Agricultural transport vehicles	51,500	-5.9
Power-generating equipment	119,500 kilowatts	64.1

The economic efficiency of industrial enterprises improved month after month, but the overall level still needed further improvement. In 1994, the volume of sales by industrial enterprises at and above the township level was 120.755 billion yuan, an increase of 25.7

percent over the previous year. The rate of sales of manufactured products was 95.87 percent, exceeding the planned target. The composite economic efficiency index of industrial enterprises with independent accounting at and above the township level was 100.45, a drop



of 8.04 percentage points compared with the previous year.

The export of manufactured products increased by a wide margin. The volume of export products delivered by industrial enterprises at and above the township level was 35.481 billion yuan, an increase of 64.3 percent or 13.885 billion yuan over the previous year.

The construction industry continued to develop. In 1994, the value added of construction was 11 billion yuan, an increase of 27.1 percent over the previous year. The total floor space of buildings under construction by state-owned construction enterprises was 8,602,000 square meters, with 2,899,000 square meters completed during the year, up 20.7 percent and 27.1 percent respectively.

New progress was achieved in geological prospecting. In 1994, six mineral deposits were discovered, and major progress was reported in the survey of three areas. The newly discovered reserves included 10.1 tons of gold metals, 1.51 million tons of manganese, 3.112 million tons of pyrite, 27.583 million tons of clay, and 20.663 million tons of limestone. Another 15 sites were reported for further surveys, while 1:50000 regional geological surveys were completed on 5,095 square km of land and 1:20000 regional gravity surveys were completed on 7,300 square km of land.

### III. Investment in Fixed Assets

Growth in investment in fixed assets dropped markedly, and there was a decline in the number of new projects started. Total investment in fixed assets in the province amounted to 54.397 billion yuan, an increase of 47.6 percent over the previous year (or a real growth of 37.6 percent after allowing for price rises). The growth rate was 39.1 percentage points lower than that in the previous year. Of this total, investment made by state-owned units (including joint ventures, cooperative enterprises and shareholding enterprises with investment by the state, same below) was 36.208 billion yuan, up 55.3 percent; investment made by collective units was 4.246 billion yuan, up 9.6 percent; and investment by individuals in the urban and rural areas was 10.894 billion yuan, up 43.8 percent. As regards investment in capital construction and technical innovation and transformation, a total of 2,235 new projects were launched, 259 projects less than in the previous year. The new projects accounted for 50.4 percent of projects under construction.

Of the total investment by state-owned units, investment in capital construction was 17.664 billion yuan, an increase of 49.4 percent over the previous year; that in technical innovation and transformation was 6.662 billion yuan, up 38.9 percent; that in real estate was

10.198 billion yuan, up 67.4 percent; and in other projects was 1.684 billion yuan, up 176.6 percent. In investment in capital construction and technical innovation and transformation, investment in projects of the central government was 5.752 billion yuan, up 59.7 percent, while investment in projects of the local governments was 18.574 billion yuan, up 42.7 percent.

The investment structure was improved, and construction of energy, transportation, post and telecommunications and other infrastructural projects was further strengthened. In the total investment made by state-owned units, investment in energy industry was 4.974 billion yuan, an increase of 44.6 percent over the previous year; investment in raw and semifinished materials industry was 1.630 billion yuan, up 80.5 percent; while investment in transportation, post and telecommunications was 8.499 billion yuan, up 122.1 percent.

Further progress was made in key construction projects. In 1994, the 13 key construction projects under guarantee were completed and put into operation or partially completed and put into operation according to plan. The "pioneering project" in highway construction achieved rapid progress and good results, and the Fujian-Xiamen-Zhangzhou Highway extension and renovation project was completed without a hitch. New headway was made in the construction of the Hengnan Railway, a key state project, and the Zhang-Quan-Xiao Railway, a key provincial project. Good progress was made in the development of the power industry. The Numbers 2, 3 and 4 generators of the Shuikou Hydropower Plant, the Numbers 1, 2 and 3 generators of the Shuidong Hydropower Plant, and the Numbers 3 and 4 generators of the Zhangping Power Plant, were completed and put into operation.

The newly increased production capacity in the province through capital construction projects included 4.08 million tons of cargo-handing capacity at new coastal ports; 968,800 kilowatts of power generation (or 1.013 million kilowatts if technical innovation projects were included); 2.23 million kilovolt-amperes of power transformation equipment; 147,000 tons of daily water supply; 600 million cubic meters of reservoir capacity; 190,000 places for students at various levels; 260,000 urban telephone circuits; and 1,048 km of newly constructed or renovated highways.

### IV. Transport, Post and Telecommunications

Transportation and post and telecommunications services continued to grow. The value added of these sectors was 14.2 billion yuan, an increase of 17.0 percent over the previous year.

The volume of transportation by various means as follows:

	1994	Increase over 1993 (%)
Volume of freight transport	58.156 billion ton-km	9.8
Railways	14.002 billion ton-km	2.9
Highways	13.900 billion ton-km	21.2
Waterways	30.228 billion ton-km	7.2
Airways	26 million ton-km	8.3
Volume of passenger transport	28.600 billion person-km	10.5
Railways	6.801 billion person-km	9.2
Highways	19.452 billion person-km	9.6
Waterways	241 million person-km	-30.9
Airways	2.106 billion person-km	35.5
Cargo handled at coastal ports	30.0233 million tons	12.1

Post and telecommunications services developed rapidly. Total business transaction in 1994 was 3.648 billion yuan, an increase of 50.8 percent over the previous year. The capacity of long-distance exchanges reached 101,000 terminal circuits, up 21.1 percent. The capacity of exchanges in the urban and rural areas was 2.646 million circuits, up 83.6 percent, 99.1 percent of which were program-controlled exchanges. By the end of 1994, the total number of telephone subscribers in the urban and rural areas was 1.177 million, up 57.0 percent. There was a net increase of 309,000 telephone subscribers in the cities and 118,000 subscribers in the rural areas. Mobile telephone business also developed rapidly. At the end of 1994, there were 69,000 mobile telephone subscribers, 150 percent more than the 1993 figure, representing a net increase of 41,000 subscribers; the number of radio paging subscribers was 818,000, up 95.7 percent, or a net increase of 400,000 subscribers.

#### V. Domestic Trade and Market Prices

The consumer market was brisk. In 1994, the total value of retail sales of consumer goods was 51.964 billion yuan, an increase of 33.6 percent over the previous year, or a real growth of 8.6 percent after allowing for price rises. Of this total, sales at urban markets reached 36.426 billion yuan, up 29.2 percent, while sales in the rural areas amounted to 15.538 billion

yuan, up 45.3 percent. All-round growth was achieved in different economic sectors. Retail sales of consumer goods in state-owned commercial units totaled 11.826 billion yuan, an increase of 9.2 percent over the previous year; sales in collective commercial units totaled 8.729 billion yuan, up 47.8 percent; while sales in private commercial undertakings totaled 22.8 billion yuan, up 38.5 percent.

The market for the means of production was slow. In 1994, total purchases of the means of production by purchasing and marketing enterprises were 9.13 billion yuan, a drop of 24.6 percent compared with 1993; total sales were 9.5 billion yuan, a drop of 27.2 percent. Among the principal means of production, sales of rolled steel totaled 1,027,000 tons, a drop of 27.7 percent; sales of cement totaled 1,445,000 tons, a drop of 22.4 percent; while sales of motor vehicles totaled 15,000, basically the same as in 1993.

Due to policy-oriented price adjustments and the introduction of macroeconomic reform measures which affected market prices, coupled with the excessive growth of social demand and excessive price hikes, particularly soaring grain prices, the retail price index for commodities in 1994 was 123.0 (or 122.7 if agricultural means of production were included).

Prices in 1994	Increase over 1993 (%)
1. Retail prices of commodities	23.0
Of which: Urban areas	22.6
Rural areas	23.7
2. Consumer prices	25.3
Of which: Urban areas	25.1
Rural areas	25.5
Of which:	
Food	31.5
Grain	56.7
Poultry and poultry products	37.7
Edible vegetable oil	56.7
Eggs	26.0
Aquatic products	26.5
Fresh vegetables	24.6
Clothing	19.9
Household equipment and articles	11.1
Medical and health care products	11.7
Transportation and telecommunications	6.4
Recreational, educational and cultural facilities	8.1
Housing articles	20.1
Service price	24.1
3. Retail prices of agricultural means of production	17.8
4. Purchasing prices for energy and raw and semifinished materials by industrial enterprises	15.2
5. Producers' prices of manufactured goods	16.9
6. Purchasing prices for farm and sideline products	28.1
7. Prices of investment in fixed assets	7.3

## VI. Foreign Economic Relations

The development of foreign trade was rapid. Foreign trade statistics showed that the combined value of exports and imports of the province was US\$13.332 billion, an increase of 35.1 percent over the previous year. Of this total, the value of exports was US\$8.234 billion, up 41.3 percent, while the value of imports was US\$5.098 billion, up 26.1 percent. Exports by foreign-funded enterprises totaled US\$4.151 billion, an increase of 38.2 percent over the previous year, or 50.1 percent of the total value of exports of the province. Exports by

the Xiamen Special Economic Zone accounted for 38.7 percent of the total export value of the province.

New achievements were made in the utilization of foreign capital. In 1994, a total of 3,026 contracts for the utilization of foreign capital amounting to US\$7.232 billion were signed, a drop of 35.8 percent and 36.6 percent compared with their respective 1993 figures. Foreign capital actually utilized amounted to US\$3.764 billion, including US\$3.712 billion in direct investment, both representing an increase of 29.5 percent over the previous year. On average, each contract involved foreign capital amounting to US\$2.39 million, the



highest figure in the country. By the end of the year, 8,005 foreign-invested enterprises had been completed and put into operation.

Economic and technological cooperation with foreign countries continued to develop. Construction projects and labor service projects contracted by China with foreign countries in 1994 totaled 2,562 in number. The value of the contracts signed amounted to US\$709 million, an increase of 4.3 percent over the previous year. Business revenue of these projects totaled US\$472 million, up 19.0 percent. At the end of the year, 34,200 people were engaged in labor services outside the country, up 15.1 percent.

Fujian received 844,500 overseas tourists in 1994, a drop of 4.1 percent compared with the previous year. Of this total, 199,400 were foreigners, up 3.3 percent, while 616,000 were compatriots from Hong Kong, Macao and Taiwan, a drop of 7.9 percent.

#### **VII. Banking, Insurance and Taxation**

The financial situation was basically stable. At the end of the year, savings in various forms in financial institutions totaled 111.786 billion yuan, an increase of 29.349 billion yuan, or 35.6 percent, over the end of 1993. Of this total, savings by enterprises amounted to 38.011 billion yuan, an increase of 9.206 billion yuan, or 32.0 percent, over the end of the previous year; while savings by residents in the urban and rural areas amounted to 55.873 billion yuan, an increase of 16.468 billion yuan, or 41.8 percent, over the end of 1993. Loans in various forms extended by financial institutions totaled 97.040 billion yuan, an increase of 19.575 billion yuan, or 25.3 percent, over the end of 1993. Of this total, short-term loans amounted to 69.869 billion yuan, an increase of 14.463 billion yuan, or 26.1 percent; while intermediate- and long-term loans amounted to 18.072 billion yuan, an increase of 2.739 billion yuan, or 17.9 percent.

Rapid progress was made in insurance services. In 1994, the total accepted amounts of various kinds of insurance was 382.7 billion yuan; insurance premiums amounted to 2.091 billion yuan; and income from reserve assets amounted to 274 million yuan. A total of 21,000 enterprises and 1,005,000 families had taken out property insurance; 9,235,000 people had taken out personal insurance of various kinds; and 433,000 motor vehicles were insured. In 1994, some 375,000 claims by domestic and foreign claimants were processed. These included 80,000 claims for reparations in property insurance and 280,000 claims for reparations in personal insurance from domestic claimants, and 8,000 claims for reparations in foreign business insurance. Insurance services played a positive role in maintaining social

stability, promoting production, and ensuring stable livelihood.

New achievements were made in taxation work. In 1994, industrial and commercial tax collected amounted to 13.09 billion yuan, an increase of 34.5 percent over the previous year. Of this total, tax on foreign firms amounted to 2.4 billion yuan, up 46.4 percent; tax on private businesses amounted to 1.464 billion yuan, up 8.4 percent; and personal income tax amounted to 364 million yuan, up 32.8 percent.

#### **VIII. Science and Technology, Education, Culture, Public Health, and Sports**

Remarkable progress was achieved in science and technology. In 1994, a total of 175 scientific and technological achievements won awards at and above the provincial level. Research on solid-state materials, surface science and other key disciplines reached domestic and international advanced standards. State-level high and new industrial development zones were established in Fuzhou and Xiamen, while provincial-level development zones were established in Quanzhou, Nanping, Sanming and Zhangzhou. The ability of enterprises to develop science and technology increased. In 1994, investment in technological transformation in enterprises amounted to 4.202 billion yuan, an increase of 35 percent over the previous year. Scientific and technological personnel also increased in numbers. At the end of 1994, there were 499,800 specialized technological personnel in local state-owned enterprises and institutions, an increase of 15,600 people compared with the figure at the end of 1993. A total of 5,992 contracts on the transfer of technology were signed, involving an agreed value of 251 million yuan and a realized value of 208 million yuan. The provincial authorities also approved 20 technological imports, and contracts worth US\$24.93 million were signed.

Further improvements were made in technological supervision, patent applications, surveying and mapping, and so on. In 1994, a total of 162 products produced by 102 enterprises were produced in accordance with international standards and certified to be up to international advanced standards or international standards. The ratio of qualified products per inspected batch was 72.1 percent, while the ratio of qualified commodities per inspected batch was 63.0 percent. A total of 1,510 patent applications were accepted, an increase of 18.8 percent over the previous year. Of this total, 733 applications were approved, a drop of 13.8 percent. The mapping departments completed a total of 131,000 work days of surveying and mapping work.

Educational undertakings developed at a faster pace. In 1994, the enrollment of new graduate students was 806,

an increase of 294 over the previous year. The total number of students taking graduate courses was 1,967, an increase of 595. Institutions of higher learning took in 22,600 new undergraduate students, a drop of 1,273. The total number of enrolled undergraduate students was 69,300, an increase of 5,190; the total number of graduates was 16,900, an increase of 369. There were 86,100 students studying in secondary specialized or technical schools, 44,200 students studying in technical workers' training schools, and 144,500 students studying in secondary vocational schools. The total number of secondary school students in the province was 1.3621 million, an increase of 82,400 over the previous year, while the total number of primary school students was 3.7198 million, an increase of 81,300. The enrollment ratio of school-age children was 99.97 percent, while the rate of primary school leavers entering schools at a higher level was 82.63 percent. There were 1.0089 million children in kindergartens.

New achievements were made in adult education. In 1994, institutions of adult higher education took in 15,700 new students in undergraduate and special courses. Total enrollment in these institutions was 37,700, and 5,300 students graduated in 1994. There were 64,500 students in adult secondary specialized schools. Illiteracy among young and able-bodied people dropped to 5 percent.

Cultural and art undertakings continued to make steady progress. By the end of 1994, there were 2,778 film projection units, 90 cultural centers and galleries, 76 public libraries, 90 performing groups, and 64 museums and memorial halls, in the province. Television and radio broadcasting also developed rapidly. There were 43 radio broadcasting stations, 36 medium- and short-wave radio transmitting and relay stations, and 102 frequency-modulation radio transmitting and relay stations, as well as 13 television stations and 3,065 television transmitting and relay stations, including 15 television transmitting and relay stations each with a capacity of over 1,000 watts. Initial success was achieved in the building of satellite up-link stations, and there were 3,135 satellite ground stations in the province. Cable television networks were built, and there were 1.32 million cable television terminals in the province. A total of 492 million copies of newspapers, 40.0350 million copies of magazines, and 197 million copies of books were printed in 1994.

New progress was made in public health undertakings. The three-level medical network and epidemic prevention system in the urban and rural areas gradually took shape and improved. By the end of 1994, there were 4,537 public health institutions of various types in the province. These included 1,260 hospitals,

2,896 out-patient departments and clinics, 12 sanatoriums, 67 mother-and-child health clinics (stations), and 97 health and epidemic-prevention stations. There were 91,200 full-time health workers in the province, including 38,000 doctors and 24,100 nurses. There were 72,800 beds in public health organs in the province at the end of 1994.

New achievements were made in sports. Mass sports activities vigorously developed. Athletes from our province won 76 gold medals, 34 silver medals and 26 bronze medals in world championships. At the end of 1994, over 2.9 million people met the requirements of the National Standards for Physical Exercises; there were 19 advanced sports counties in the province.

#### IX. Population and the People Lives

According to sample surveys, at the end of 1994 the birth rate was 16.24 per thousand and the death rate was 5.95 per thousand, resulting in a natural growth rate of 10.29 per thousand. The total permanent resident population at the end of the year was estimated to be 31.83 million, an increase of 330,000 over the end of 1993.

Household income in the urban and rural areas increased steadily. According to a sample survey, annual per-capita income of urban households for living expenses was 3,508 yuan, an increase of 35.0 percent over the previous year, or a real increase of 7.7 percent after allowing for price rises. The per-capita net income of rural households was 1,578 yuan, an increase of 30.3 percent over the previous year, or a real increase of 4.5 percent after allowing for price rises.

Reform in the field of labor accelerated, and the labor and employment system further improved. There were 1,191 employment agencies at various levels at the end of 1994, and 132,500 people were given jobs in cities and towns. At the end of the year, the number of jobless was 76,000, and the rate of unemployment was 1.9 percent. A total of 11,000 enterprises and 1.35 million staff and workers in the province had joined unemployment insurance programs.

The number of staff and workers continued to increase. At the end of 1994, there were 3,514,000 staff and workers in cities and towns, an increase of 66,000 over the figure at the end of 1993. The number of staff and workers was 2,176,000 in state-owned units, 662,000 in collective units, and 676,000 in units under other ownership systems. Total wages of staff and workers in 1994 amounted to 16.679 billion yuan, an increase of 43.1 percent over the previous year.

Urban and rural living conditions continued to improve. At the end of 1994, per-capita living space in cities and

towns and per-capita living space in the rural areas increased by 1.2 square meters and 2.2 square meters respectively compared with the end of 1993.

Considerable progress was made in social welfare work. At the end of 1994, there were 15,900 beds and 11,500 inmates in social welfare institutions of various types. Some 142,200 people in need received fixed relief from the state at regular intervals. A total of 13,400 enterprises and 1,165,300 active staff and workers were taking part in old-age insurance programs.

The development of environmental protection accelerated. At the end of 1994, there were 76 environmental monitoring stations in the provincial environmental protection system. There were 20 natural reserves in the province, including three state-level and 11 provincial-level reserves. The number of projects to combat environmental pollution completed by deadlines was 249, absorbing a total investment of 130 million yuan. A total of 133 smoke/dust control zones were established, covering an area of 346 square kilometers; and there were 42 zones covering 65 square kilometers where noise pollution was controlled under the specified level. As many as 90 enterprises were ordered to stop or suspend operation or shift to other areas due to pollution. Notes: 1. The figures in the bulletin do not include those for Jinmen County and the Mazu Islands in Lianjiang County; 2. The figures quoted in the bulletin are preliminary figures. Figures in value terms on gross domestic product and value added are at current prices of the year, whereas the growth rates are calculated at comparable prices.

#### \*Zhejiang Provincial Government Work Report

95CE0348A Hangzhou ZHEJIANG RIBAO in Chinese  
28 Feb 95 pp 1, 2, 4

[Zhejiang government work report delivered by Governor Wan Xueyuan (8001 1331 6678) at the third meeting of the Eighth Zhejiang Provincial People's Congress on 18 February 1995]

[FBIS Translated Text] Delegates:

On behalf of the provincial people's government, I shall now give the government work report to the congress for its consideration, and I request that all members of the provincial Chinese People's Political Consultative Conference [CPPCC] and other attendees express their views.

#### I. A Look Back at 1994 and Principal Work Requirements in 1995

The year 1994 was one in which Zhejiang Province accelerated establishment of a socialist market economy, concentrated energies on greater economic construction,

and advanced social progress across the board. It was also a year in which we scored major achievements in the battle against serious natural disasters and difficulties of various kinds. Under the leadership of the State Council and the Zhejiang Provincial CPC Committee, we diligently put into effect CPC plans for "seizing opportunities, intensifying reform, widening opening to the outside world, spurring development, and maintaining stability." We correctly handled relations among reform, development, and stability, and, thanks to the efforts of the people throughout the province, we scored initial victories in battling disaster and disaster relief. We largely completed the main tasks set by the second meeting of the eighth provincial people's congress.

During the past year, we worked hard to intensify and perfect macroeconomic regulation and control, and we found timely solutions to some glaring problems. The national economy maintained a fine momentum of sustained, rapid, and healthy development. Both the GDP and fiscal revenues overfulfilled the annual plan. The GDP reached 265 billion yuan, up 21.3 percent from 1994. Gross fiscal revenue reached 20.94 billion, 9.46 billion yuan of it consisting of local government fiscal revenues. These were increases of 19.9 and 30.3 percent respectively over 1994.

*Leadership of agriculture and rural work improved, with both agriculture and the rural economy standing the dual tests of natural disasters and the market. Great effort was put into the fulfillment of principal farm product production quotas for grain and cotton; procurement policies was improved; the agricultural means of production circulation order was revamped; farming of grain fields on a proper scale was advanced actively and steadfastly; more was done in the comprehensive development of agriculture; premium quality, high yield, and high return agriculture moved ahead; and both agriculture and the rural economy continued all-around development. An agricultural added value of 41.5 billion yuan was realized, 4.4 percent more than in 1994. Total grain output is expected to reach 14.04 billion kg, 320 million kg less than in 1994. Outputs of aquatic products, vegetables, eggs, and fruits rose 30.4, 3.5, 18, and 16.5 percent respectively over 1994. The quota for elimination of barren mountains throughout the province was completed one year ahead of schedule. Progress was made steadily in increasing the size and quality of township and town enterprises, and the percentage of township and town enterprises in the province's economy rose substantially.*

*Production and business guidance to enterprises was increased and improved, and industrial development saw a new rise. The technical transformation policy was read-*



justed and perfected; production and marketing were dovetailed better; more was done to reverse losses and increase profits; and industrial production saw sustained and rapid growth. Industry produced an added value of 125.6 billion yuan, up 27.3 percent from 1994. Investment in the technical transformation of industry at the township level and above totaled 12.5 billion yuan, up 6.5 percent from 1994. A sales output value of 321.9 billion yuan was realized, and the sales rate for production reached 94 percent. Readjustment of the industrial pattern and product mix continued, and readjustment plans for the textile, pharmaceutical, electronics, electric power, and telecommunications industries began to be put into effect. A number of name brand products are in the process of emerging, and the reputation of the province's products in international markets rose.

*The pace of key construction quickened, and the city and country infrastructure continued to improve.* While rigorously controlling the beginning of work on new projects, every means was used to raise money to insure the construction of key projects. Investment in transportation and communications, energy, and water conservancy increased 53.8, 61, and 95 percent respectively over 1994. A number of key projects such as the 200,000-ton ore wharf at Beilun, the Wenzhou smelting plant expansion, and a large number of municipal government projects continued to be completed. The work pace picked up on construction of the Jinhua-Wenzhou Railroad despite a shortage of money and great construction difficulties. The Jinhua-Jinyun section of the line is now preliminarily open to rudimentary traffic. Construction of the Hangzhou-Yongjiang express highway has entered the stage when real work begins. The road bed fill is substantially completed. Digging has begun on the Shanghai-Hangzhou express highway. Work has begun on the Taizhou and the Wenzhou sections of the Yongjiang-Taizhou-Wenzhou Expressway. Another group of "four self" projects has been completed. The rebuilding and opening to traffic of one of them, the Hangzhou-Fuzhou section of a first class highway, was a first for the province. The province continued to maintain its leading position in posts and telecommunications. It ranked third in the country in total posts and telecommunications business and in total telephone exchange capacity. Construction of a local telephone network in every city and prefecture in the province has been completed, and it has been put to use. More work has been done on the harnessing of large rivers. A number of water conservancy construction projects, including the Shangtang He locks for draining water southward, and the Quzhou section of the Wuqi Jiang water diversion project either continue to be built or have been largely completed. They played an important

role in the prevention of floods and fighting drought during 1994.

*Efforts were made to make city and countryside markets boom, and the people's standard of living has risen further.* More "market basket" projects were built, the supply of non-staple foods was actively organized, and various industry product markets were constantly stocked. City and countryside market trading was brisk, with the province realizing 97 billion yuan in retail sales of consumer goods, up 39.6 percent from 1994. The people's income continued to increase; the per capita income of city and town residents available for consumption amounted to 4,691 yuan, and the per capita net income of rural residents reached 2,225 yuan. After deducting for price rises, these were increases of 11.6 and 4.1 respectively over 1994. The year-end savings balance of city and country residents reached 99.03 billion yuan, up 49 percent from 1994. Attention was paid to solving the living hardships of low income people, and more was done to help the needy. In particular, prompt help to disaster areas in making suitable arrangements for the people's livelihood ensured that the people's lives in disaster areas remained substantially tranquil.

**During the past year, we strove to intensify reform, widen opening to the outside world, and actively explore new methods and approaches for building a socialist market economy system. New advances were constantly made in reform and opening to the outside world.**

*Decisive steps were taken to link major breakthroughs organically with overall advances, and decisive steps were taken in the fiscal and finance and banking macro-management systems.* The relationship between provincial and municipal or county fiscal units was readjusted; various new problems in the tax reform process were studied and solved, and a fiscal management system with a tax-sharing system was preliminarily established. The finance and banking organization system was perfected in a planned way, and the province took the lead in the country in setting up a Zhejiang Provincial branch of the Chinese Agricultural Development Bank. As a follow-on to rural credit cooperatives, asset-liability ratio control was put into effect in urban credit cooperatives and all types of credit investment companies. The Shanghai Pudong Development Bank and the Zhongxin Industrial Bank set up branch institutions in the province. We further intensified enterprise reform by clarifying property rights and the transformation of operating mechanisms. In particular, substantial advances were made in promotion of the enterprise share cooperation system. We accelerated modern enterprise system pilot project operation, with newly approved limited liability share companies and limited liability companies

numbering 4,637, and business conglomerates numbering 262. Major steps were taken in leasing, mergers, auctions, and bankruptcies.

We made the most of the province's strengths, and continued to build more markets. Commodity market business transactions totaled 148.1 billion yuan, with 30 markets showing a trading volume of more than 1 billion yuan for the year. Production element markets saw new development. The Hangzhou branch of the Chinese Foreign Exchange Market Center, and the Provincial Technology Exchange Center began work and trial operation. The securities market has preliminarily formed a three-tier provincial, city, and county distribution network. We made a thorough investigation and study of social security system reform, and we widened old age and unemployment insurance coverage.

*Both internal and external openness were actively widened, and the open economy continued fairly rapid growth.* More development zones were built, principally national level economic and technical development zones and provincial level economic development zones. Opening to the outside world is spreading from the coastal area into mountain regions. Interchanges and ties with fraternal provinces were strengthened for the further expansion of lateral economic cooperation.

In response to new changes in the taxation system, and the merger of exchange rates, policies for making better use of foreign capital were studied. This did more to attract foreign firms and capital to key enterprises and key projects. Despite a decline since 1994 in the number of projects introduced and the cooperative use of foreign capital, actual use of foreign capital increased 11.9 percent. The average amount of money invested in a project increased from \$835,000 in 1994 to \$1.144 million in 1995. A number of large world renowned companies began to operate concerns in the province. One of them, the largest foreign capitalized petrochemical project in China, which is operated by the American Xiehe [0588 0735] Group, has begun construction.

Large contingents were organized to develop foreign trade, and foreign trade exports totaled \$6.32 billion, a 42.2 percent increase over 1994. Exports of city and county foreign trading companies and of three kinds of partially or wholly foreign-owned enterprises grew rapidly, accounting for 43.4 and 20.4 percent of total exports respectively. The make-up of export products improved further, with the percentage of industrial goods climbing to 82 percent. Foreign economic and technical exchange activities, including the contracting of labor services and the operation of concerns abroad also became increasingly brisk.

**During the past year, we strove to develop science and technology and education, and to do more in the way of building socialist spiritual civilization and a democratic legal system. Rather marked progress was made in all social endeavors.**

*Impetus was given to the further orientation of science and technology toward economic construction.* We intensified reform of scientific research institutions and the science and technology planning and administrative system, and improve the enterprise technical progress mechanism. We integrated the running of brainstorming plans, torch plans, spark plans, and bumper harvest plans, organized scientific and technical personnel for the spread of scientific and technical developments and their application, thereby increasing the role of science and technology in advancing development of the economy. More than 300 scientific and technical achievements received national and provincial scientific and technical progress awards. Another eight key laboratories and testing bases at the provincial level met acceptance requirements and went into operation.

*We made major efforts to develop city and countryside education in many ways.* We increased investment in education, intensified basic education, readjusted the educational structure, reformed the way schools are run and the education administrative system, and intensified and improved school moral education. The nine-year compulsory education system has been extended to areas having 90.1 percent of the province's population. The literacy rate among able-bodied youths now stands at 96.5 percent. The provincial and national education commissions have reached agreement on the joint founding of Zhejiang University. In addition, there has been a gradual merger of various institutions of higher education, which are now run jointly. Newly obtained financial assistance funds from all sectors of society totaled 360 million yuan, and a system of running schools in which government plays the leading role but all quarters of society participate is taking shape rapidly.

*A good job was done in cultural, radio and television broadcasting, health, and physical education work.* Shaoxing, Beijing, and Kunqu opera productions and performances were lively. Large cultural activities, including the first Chinese Small White Flower Shaoxing Opera Festival, were held successfully. Positive results were obtained in radio and television broadcasting from the use of satellite relays, which improved programs. A number of outstanding literary and art works appeared. A thorough city and countryside patriotic health campaign was conducted. Thirty-seven counties and cities have substantially put into effect primary level health care plan objectives, and another two cities were evaluated as national and provincial health cities. City and

countryside sickness prevention and treatment capacities were further improved. Outbreaks and spread of communicable diseases were prevented and controlled in a year of major natural disasters. Mass athletic activities were conducted in many forms; the tenth provincial games were held; and the province's athletes won 70 gold medals in major competitions in China and abroad. Tailored guidance for planned parenthood management was improved, and marked progress was made in planned parenthood work in key areas. The province's natural rate of increase is 6.64 per 1,000, which is within the plan goal. Attention was given to environmental protection, and continued efforts made for greater control of principal sources of pollution. New advances were also made in activities on behalf of the aged, women and children, and the handicapped. Work on a number of social projects including a new Zhejiang Library building and a ZHEJIANG RIBAO news building began on schedule.

*A widespread campaign for the building of socialist spiritual civilization was launched.* Cadre and mass study of the "Selected Works of Deng Xiaoping" was organized at each level; thorough indoctrination in the basic line of the party in rural villages was conducted, and a major effort was devoted to publicizing the theory of building a distinctively Chinese brand of socialism. A number of advanced model personages, including Liu Lingying, were set up and publicized. Mass campaigns were conducted in various forms throughout the province, including commemoration of the forty-fifth anniversary of the founding of the People's Republic, the "five ones project," the 100 patriotic films exhibition and evaluation, and "love my China and love my hometown" book reading. Historical relics and important artifacts were used to set up a number of patriotic indoctrination bases. Competitions were conducted in setting up cultured cities. Unremitting actions were taken to "eradicate pornography," and "crack down on criminals." More work was done in building spiritual civilization in cities and townships.

*More was done to build the government itself as the need for building socialist democracy and the legal system require.* We conscientiously reported on work to the provincial people's congress and its standing committee, and we willingly accepted supervision from them. Industry and commerce and local units in charge accepted administrative legal enforcement work evaluations from the provincial people's congress standing committee and people's representatives. They provided prompt notification of events and took the initiative in hearing opinions and recommendations on government work of social groups such as the CPPCC and democratic parties, the association of industry and commerce,

trade unions, the youth league, and the women's federation. Both administrative legislation and administrative law enforcement examination work improved.

More was done to build clean government and we involved ourselves in the battle against corruption. We conscientiously applied applicable regulations for leading cadre honesty and self-discipline. We rigorously investigated and punished a number of major cases involving the misuse of authority for private gain, graft and bribe taking, and breaking of the law when in charge of law enforcement. Serious derelictions of duty and malfeasance on the part of leaders in major cases or incidents were sternly punished. We continued special cleanups of unhealthy tendencies in business, rectified government organizations running of economic entities, and halted the purchase and use of luxury sedans and the use of enterprise money and goods in violation of regulations, scoring successive results thereby.

We rigorously enforced social order comprehensive control responsibility systems and concentrated on straightening out public order in rural villages. We cracked down hard on hooliganism, criminal gangs, other serious criminal offenses, and serious economic crimes. We diligently improved public order control along transportation lines, in public places, and at scenic tourist sites.

We conducted widespread national defense education, actively supported the building of the People's Liberation Army [PLA] and the People's Armed Police, improved border and coastal defense control and militia and reserves work, and scored new advances in supporting the army and giving preferential treatment to the families of army men and martyrs, in supporting the government and cherishing the people, and in joint building of the armed forces, the police, and the militia. PLA forces and people's armed police units stationed in Zhejiang took active part in fighting natural disasters and disaster relief work, as well as local construction. They made major contributions to the province's building of the two civilizations.

**Despite extremely heartening achievements made during the past year in the province's economic and social development, existing problems cannot be ignored.** Prominent problems in economic life include a fairly weak agricultural foundation, a grim grain production situation, and a decline in output of main farm products; slow readjustment of the industrial structure, returns that are not all they should be, and numerous enterprises—particularly state-owned enterprises—facing substantial difficulties; rising prices, including a 21.7 percent rise in commodity retail prices over 1994, very great inflationary pressures, and a decline in the



real standard of living some of the masses; and "bottlenecks" in transportation and energy that limit economic development which continue to be fairly serious. Numerous elements for instability continue to exist in social life. Public order, particularly rural public order, is not as good as it should be, and serious crime is on the rise. Accidents of various kinds have also increased. Government actions still do not meet the new situation in reform and development. Some new problems have appeared during the process of continued intensification of reform and high speed economic development, and understanding of the new problems is not adequate. Major policy measures that have been inaugurated have not been applied sufficiently. Effective ways and means of controlling all quarters of society are lacking. In some government departments, formalism and bureaucracy are serious problems, and boasting and deception have raised their heads. A small number of personnel do not discharge their duties properly, and some even misuse authority for private gain, or pervert justice for bribes. We must be highly vigilant about such problems and earnestly solve them during the course of our work.

Important gains were made in 1995 in the acceleration of reform and opening to the outside world. It was also a crucial year for Zhejiang Province's complete fulfillment and overfulfillment of the Eighth Five-Year Plan. We are now in an extremely important period of development. **During the course of government work in 1995, we must use as a guide Comrade Deng Xiaoping's theory for building a distinctively Chinese brand of socialism, and the party's basic line, completely carrying out the spirit of the fourteenth National People's Congress, the Third and Fourth Plenary Sessions of the Fourteenth Party Congress, and the Central Economic Work Conference. We must continue to grasp the essence of the overall situation to seize opportunities, intensify reform, widen opening to the outside world, advance development, and maintain stability. We must continue to handle well the correlation among reform, development and stability, and we must unify thinking, assume responsibility for the situation as a whole, enhance coordination, do a solid job, resolutely hold down inflation, conscientiously improve agriculture, actively intensify enterprise reform, steadily widen internal and external openings, vigorously develop scientific and technical education, spur a change in economic growth methods from primarily expanding operations to making intensive use of existing operations, diligently build socialist spiritual civilization and a democratic legal system, and further raise the level of economic construction and all social endeavors throughout the province.**

In view of the need to hold down inflation, and real development requirements, plans for the province in 1995 are as follows: A GDP that is 13 percent higher than in 1994, including a 3-percent increase in the primary industry, a 16-percent increase in secondary industries, and a 13-percent increase in tertiary industries; a 20-percent increase in investment in social fixed assets; a 10.5-percent increase in local fiscal revenues; a 23-percent increase in total retail sales of consumer goods; a 15-percent increase in foreign exports; efforts to hold the rise in prices at around 14 percent; and a natural rate of population increase held within 7.3 per thousand. Differences between one region and another of the province in economic and social development are substantial, so governments at all levels must proceed from the realities in their own jurisdiction in setting a rational, positive, and beneficial speed of development. However, one jurisdiction positively may not vie with another in blind pursuit of development speed.

## **II. Work To Improve the Quality of Economic Growth; Promote Sustained, Rapid, and Healthy Development of the National Economy**

Development of the province's economy requires close attention to the amount and even more to the quality of growth. The key lies in improving the efficiency with which production essentials are allocated and to paying close attention to returns from optimization of the structure, from scientific and technical progress, and from operations at a proper scale for a change in economic growth methods. This is in keeping with requirements of the trend of economic development both in China and abroad, and it is also necessary for moving economic development a step upward. Governments at all levels must increase their sense of urgency, unify thinking, reach a consensus, and be steadfast, clear-headed, and purposeful in carrying out a scientific education plan for making the province boom; further optimize the structure of primary, tertiary, and tertiary industries, and the regional economic pattern; and shift the emphasis of economic development to raising the quality of economic growth.

### **1. Maintain the primacy of agriculture, devote energies to increasing the effective supply of farm products and peasant income.**

We must further improve the understanding of governments at every level, particularly that of leading cadres, about agriculture, bolster thinking that takes agriculture as the foundation, and increase the sense of responsibility about the development of agriculture. We must make sure that principal government leaders pay close attention to the agricultural system and that county and township government heads devote their main energies

to agriculture, and ensure that thinking is applied, work is done, and actions are taken, truly to make sure that work is really done on agriculture. Every jurisdiction in the province, particularly some of the developed cities and counties, must decide to reverse with all possible speed the lag in development of agriculture.

The principal task is to take action to realize the province's goal of a total output of 15 billion kg of grain, winning a bumper harvest in grain production. This entails, first, resolute stabilization of the grain-farming area and the grain multiple cropping index, perfecting the basic farmland protection system, defining according to law the basic farmland protected area, prohibiting arbitrary takeovers and indiscriminate cultivated land takeovers, and prohibiting and correcting all abandonment of cultivated land. Second is the spread and promotion of premium high yield varieties and advanced farming techniques by steadily optimizing the varieties of grain used and the farming structure. More must be done to apply research and development of farm machinery to production in an effort to improve production conditions. Third is perfection of grain procurement policies, linking peasant sales of fixed procurement grain with the supply of fertilizer. Fourth is establishment of a level-by-level responsibility system for grain work, which assigns grain production, procurement, out-shipments, and in-shipments to each city and county. The grain risk fund must be increased, grain reserves augmented, and macroeconomic regulation and control of the grain market amplified. Policy measures must be studied, formulated, and diligently applied to support grain-producing areas in increasing grain production and all-around development of their economy. Fifth is a good job of producing and supplying agricultural means of production, perfecting policies and measures for supporting production of agricultural means of production, rectifying the agricultural means of production circulation order, striving to hold prices at a reasonable level, and insuring a balance between supply and demand for agricultural means of production. Sixth is continuing to make a special effort to control peasant burdens to prevent their further increase. At the same time, effective actions must be taken to increase production of staple farm crops, including cotton, silk-worm mulberry, and oil-bearing crops.

More must be done to readjust the economic pattern of agriculture with a major effort made to develop developmental agriculture. The focus of this development must be on mountain land and water resources and setting up various kinds of new production bases to produce name brand, speciality, and premium-quality products. We must work hard on comprehensive development of agriculture in the third quarter, and use World

Bank credits for development of the yellow-and-red-soil project. We must hasten optimization of the forestry production structure by focusing on supporting a number of economic forest model bases. We must expand development of large coastal and inland bodies of water to develop an aquatic products industry. We must closely link breeding, raising, processing, and marketing; steadily increase the extent of farm product processing and economic returns; and encourage the in-depth development of "premium product, high yield, and high returns" agriculture.

We must employ various channels to increase investment in agriculture for vigorous improvement of farmland capital construction, particularly the building of water conservancy facilities. Governments at all levels must work hard to readjust the income redistribution pattern. They must strive to increase the government percentage of investment in capital construction, funds within fiscal budget, and bank credit used in agriculture. Governments at all levels must put into effect to the letter all the policies that the central government and the province inaugurate to increase investment in agriculture. Those responsible for failure to put them into effect will be held accountable. The emphasis must be on funds for the development of agriculture, the building of water conservancy, and reclamation of farm land. We must broaden fund-raising channels, improve tax collection methods, and improve funds use and management. We must do more to establish and perfect systems for industry to nurture agriculture, for industry to build agriculture, for payments to the state of contracting payments, and for the investment of labor. We must clarify responsibilities of rural collective economy organizations and the peasants as principal investors in agriculture. Economically developed areas must gradually begin to set up township and town enterprises as mechanisms for the "reverse suckling" of agriculture. We must plan water conservancy construction in a rational and scientific way. While continuing to pay close attention to harnessing the Tai Hu and Hangjia Hu basins and the "three rivers" system, we must concentrate greater energies on building a standard seawall in southeastern Zhejiang, and a seawall on both banks of the mouth of the Qiantang Jiang. We must support disaster stricken areas in rebuilding as quickly as possible engineering projects destroyed by water and damaged and dangerous reservoirs. We must do more to harness small basins, and improve our disaster prevention and disaster warning and command systems, striving to increase our ability to resist and reduce disasters.

We must continue to consolidate and perfect the two-tier farming system consisting of the family output-related contract responsibility system and a combination of cen-

tralization and decentralization. We must fully respect the desires of the peasants in establishing a land-use rights turnover mechanism in economically developed areas. We must guide and help the peasants readjust and concentrate the plots of land they till, and actively and steadily promote the farming of grain fields at a proper scale. We must focus on complete implementation of various support policies that the provincial government has drawn up for farming on a proper scale in 26 pilot project counties and cities in order to accumulate experience for expanding the proper scale of farming of large grain fields. At the same time, we must apply operations on a proper scale to forestry, the fishing industry, animal husbandry, and other farm product production domains. We must intensify grain procurement and marketing system reform, select certain counties and cities for the running of pilot projects on the separation of grain farming for policy reasons from grain farming for commercial reasons, run "hundred turnkey projects," i.e., help 100 turnkey enterprises play a model and stimulating role in agriculture. We must establish and perfect a socialized agricultural services system that focuses on perfection of a county, township, and village tri-level agricultural support and dissemination network, implement pertinent policies, stabilize and augment the agricultural technology corps, and steadily improve the vocational skills of agricultural technical personnel.

## **2. We must resolutely control inflation by diligently controlling price rises.**

This is the premier task for macroeconomic regulation and control in 1995, and it is also the key link in the correct handling of the correlation among reform, development, and stability. Governments at all levels must diligently put into effect a series of policy measures of the central government for improving price controls and holding down inflation. They must continue to control the scale of investment in fixed assets, and improve project examination, approval, and administration, rigorously examining new projects before giving approval. They must better control and administer consumption funds, regulate social distribution, strictly enforce fiscal discipline, improve fiscal auditing and supervision, and conscientiously control overly rapid growth of wage payments and the consumption of social groups. They must rigorously control fiscal expenditures, striving for balance between fiscal receipts and expenditures. They must conduct pervasive campaigns to increase production and practice economies and to increase revenues and limit expenditures. They must oppose extravagance and waste and crackdown hard on luxurious living, promoting a spirit throughout society of arduous struggle and thrift and simplicity in building the country. They must supervise and control prices rigorously with em-

phasis going to greater monitoring of prices of 24 different basic daily necessities, such as grain and edible oil, and services. They must study the formulation of methods to oppose excessive profits and monopoly control, halt unfair competition, and crack down resolutely according to law on conduct that causes serious disturbance of the market order and damages the rights and interests of consumers, such as cornering markets for speculative purposes, monopolistic price hikes and price fraud, and the production and sale of imitation, fake, and poor quality products. They must improve market regulations and rely on society to improve supervision of market prices and the market order.

Every possible means must be used to increase effective supplies and to do a good job of market supply. This is basic to the harnessing of inflation and the control of price rises. Provincial-government, city-mayor, and county-magistrate responsibility systems must continue to be applied to "rice bags" and "shopping baskets" to ensure that market supplies of grain and nonstaple foods remain largely in balance. More must be done to build "market basket" projects and to increase protection for vegetable growing and nonstaple food production bases according to law. Key cities like Hangzhou, Ningbo, and Wenzhou must use consolidation of existing vegetable and nonstaple food bases as the basis for active building of new bases. Cities and towns, particularly key cities and towns, must establish corresponding vegetable and nonstaple food bases to bring supply and demand into balance over time. They must support live hog production and develop hog raising on a proper scale. They must intensify circulation system reform by actively using the role of state cooperative businesses as main channels for ensuring market supply and stabilizing market prices.

Governments at all levels must show earnest concern for the livelihood of the masses, particularly for the old, the young, and those living in border regions or impoverished areas, and for the livelihood of personnel who have been separated or retired from their jobs and staff members and workers of enterprises facing production and business difficulties. They must help them solve their various real problems. They must provide more employment guidance and training in technical skills for staff members and workers of bankrupt enterprises and for people who have lost their positions in enterprises. They must help them find new employment and transfer into new production positions. They must do more to provide for the livelihood of the masses in disaster stricken areas, striving to help them rebuild their homes.



**3. A conscientious job of readjusting the industrial structure must be done for further improvement of the overall quality of industrial development.**

While continuing to support enterprises in making proper readjustments, the focus of industrial structure readjustment must be shifted to strategic readjustment. We must increase government responsibility for strategic readjustments. We must employ high technology to hasten the transformation of traditional industries including the machine building, light and technical, food, chemical, and building materials industries. At the same time, we must highlight development of electronic information industries, notably the telecommunications equipment, computer, and computer software industries; machine building industries, notably those that produce transportation equipment and engineering machinery; and the chemical industry, notably those that produce new kinds of synthetic materials and fine chemicals. We must designate a number of economically strong enterprises, highly interrelated projects, and products having a high level of technology throughout the province and concentrate energy on them and support their priority development, using incremental readjustments as a means of giving impetus to the optimization of the stock of assets. Readjustment of the industrial structure and of the product mix must be closely integrated, and support must be given given to enterprises conducting campaigns to create name-brand products. Name-brand creation plans must be drawn up level by level from the province to cities and counties to increase the competitiveness of the province's products in domestic and international markets for a widening of market share.

We must diligently perfect and carry out technical transformation policies. We must set up at each level an overall fund for technical transformation, try out methods for linking increased returns from technical transformation with the interests of operators and the rank and file in enterprises and encourage enterprises themselves to increase investment in technical transformation. We must do more to guide industries in technical transformation, emphasis going to the transformation of ingot pressing [1090 6928] in the textile industry, and transformation of the entire silk fabric and small chemical fertilizer industry. In the capital, materials, and energy fields, active support must be given to national and provincial technical transformation projects to ensure their completion on schedule and that they provide a return. Efforts must be made to raise the technology content of projects, and duplication in building of all sorts of low level projects must be rigorously controlled.

We must help enterprises that are in trouble find ways to turn their losses into profits. We must perfect responsibility systems for turning losses into profits, increas-

ing the responsibility of governments and sectors concerned in turning losses into profits. We must closely study and put into effect one by one objectives and measures for reversing losses. We must set up funds for reversing losses at every level in the province, giving priority to supporting money-losing concerns that show responsibility, whose actions are effective, and whose projects are feasible. We must adopt financial and fiscal measures to reduce enterprise burdens. So long as enterprises develop production and improve returns, we should help them increase production and business fund accumulations, thus beginning to build a system by which they themselves can increase production and business funds. We must increase control and overall coordination of production operations. We must guide and encourage enterprises in strict internal control, particularly financial control, cost control, and quality control; conserving energy and reducing consumption; speeding up the circulation of funds; and constantly improving product quality and production and business efficiency. We must do more to improve safety in production, strictly enforce safety responsibility systems, and diligently put into effect all safety measures to ensure the safety of the masses and the lives and property of the state.

**4. We must optimize the investment structure, concentrating energies on the building of more key projects.**

The emphasis of investment continues to be on infrastructure and basic industries, including transportation, energy, telecommunications, and water conservancy. In accordance with the principle of acting within capabilities and doing everything within one's power, we must concentrate energies on ensuring that projects go into production, on ensuring completion, and on ensuring key points to speed up progress on project construction and to improve returns from investment. We must ensure completion of the double tracking of the Zhejiang-Jiangxi railroad, the first phases of the Jiaying power plant, and the provincewide television and telephone conference network. We must continue to accelerate construction of the Jinhua-Wenzhou railroad, and the Hangzhou-Yongjiang express highway. Construction of the Jinhua-Jinyun section of the Jinhua-Wenzhou railroad has been completed, and it is now open to traffic. We must hasten construction of bridges and culverts and filling in the road bed according to plan on other sections of this railroad. The Hangzhou to Shangyu section of the Hangzhou-Yongjiang high-speed highway has been completed and is open to traffic. We must move ahead with the Tianhuangping water pumping and energy storage power station and the Yongjiang-Taizhou-Wenzhou express highway projects. We must begin work on the

entire Shanghai-Hangzhou express highway, the double tracking of the Sushan-Yongjiang line, the second phase of the Taishan Nuclear Power Plant, and the second phase of Beilun Power Plant. We must do advance preparatory work for the Shanxi water conservancy hub project, the second phase of the Jiaying power plant, the second phase of the Wenzhou power plant, the Beilun Steel Mill, the Hangzhou international airport at Sushan, and the Hangzhou-Jinhua-Qujiang motor road.

We must better manage key engineering projects. We must promote throughout an enterprise juridical person investment responsibility system and supervise and urge along enterprise juridical persons to take responsibility for the entire process of project planning, construction, use of input, and bearing investment risks. We must set up and perfect a project supervision system to make strict checks in order to ensure project quality. We must make a major effort to develop the construction industry for further improvement of construction work.

Raising of construction funds over a wide area is a prerequisite for good key-project construction. A better overall balance in capitalization by doing all possible to increase the percentage of credit funds and government funds invested in key projects is needed. We must better supervise and inspect the use of all earmarked funds. We must improve management of extrabudgetary funds, open special accounts and exercise quota control for provincial level extrabudgetary funds, and guide in a planned way the investment of extrabudgetary funds in key construction projects. We must continue to promote the "four selfs" policy and do overall planning, further extending the "four selfs" policy from highway construction to the construction of other infrastructure elements such as inland river navigation and small hydropower stations. We must use the share system in a planned way to obtain more capital from society at large for investment in key projects. We must increase the percentage of stock shares and bonds issued for key construction projects within the amounts that the state permits. We must make wide use of foreign capitalization channels, actively guiding foreign firms to take part in the building of key projects. At the same time, we must continue to get financial organizations such as the National Development Bank and government agencies and enterprises concerned to increase investment in Zhejiang Province.

**5. We must hasten city and town construction and development of the mountain region and marine economy in steady optimization of the regional economic pattern.**

We must devote close attention to drawing up a systematic plan for cities and towns throughout the province

and provide better guidance to all jurisdictions in drawing up city and town construction plans in order to built cities and towns in a scientific and rational way. Emphasis must be placed on the building of infrastructure elements, including road transportation, water supply and sewer lines, electric power, and telecommunications. We must improve the socio-economic environment of cities and towns. In conjunction with the operation of industrial zones, we must actively guide township and town enterprises to congregate in cities and towns to make fullest use of the concentration effect. In providing support to township and town enterprises, we must take the road of scientific and technical progress and greater internal control by steadily improving scales and levels of development. We must encourage the peasants to put money into cities and increase funds for the construction of cities and towns through many channels. We must select a number of cities and towns for the running of multiple reform pilot projects on land use systems, household registration systems, and social security systems to explore effective ways to accelerate the building of cities and towns.

We must assist mountain regions in continuing to improve the building of infrastructure projects, including transportation, water conservancy, electric power, and telecommunications. We must follow a course of attracting investment from within and using it in conjunction with investment from outside, suit general methods to specific circumstances for the advancement of developmental agriculture, and actively operate township and town enterprises and individually owned and privately operated businesses to develop processing industries suited to mountain regions. We must begin by studying the effect on the mountain region economy of transportation trunklines, like the Jinhua-Wenzhou railroad, following their completion to perfect approaches to the development of the mountain region economy. We must make greater use of responsibility systems to support the needy, perfect policies, support and assist impoverished mountain regions in border and remote places and people in minority nationality areas; and to develop labor service exports in a planned way, to open up land in other places, and to help people leave the mountains to escape poverty. Eight counties in the province, including Taishun, Wencheng, and Jingning, are key areas for support. All agencies at the provincial level and developed cities and counties must continue to do a good job of helping designated places in needy areas by organizing established enterprises in providing fitting support for the needy. We must strive to complete the assault on poverty for the most part within three years.

Zhejiang Province has plentiful marine resources. Rapid development of the marine economy has been a long-term desire and urgent need of all the people in the province, particularly those living in coastal regions. We must accelerate implementation of the province's "Marine Development Plan Outline," which is centered around the development of port, fishing, scenic, and oil resources. We must work on the formulation of port construction plans and accelerate perfection of associated collection and distribution transportation networks, business soliciting networks, and service networks and use to the full the cargo handling capacity that ports such as Ningbo, Zhoushan and Wenzhou, Taizhou, and Zhapu already have. We must draw up plans to develop the sea by science and technology, gradually developing new industries such as marine pharmaceuticals, functional foods, and a marine chemical industry. We must continue to develop port shipping, ocean aquatic products, and ocean tourism. We must provide services for the exploitation of oil and gas fields in the East China Sea. At the same time, we must actively study and plan the development and use of petroleum and gas resources. We must further improve infrastructure on islands and increase the role of islands in development of the marine economy.

In the process of optimizing the economic pattern, we must pay attention to maintaining and increasing the developmental vitality of county economies, helping them rise steadily. More important is increasing the overall capacities of key cities, making the most of their leading role and their role in influencing surrounding areas, enabling the economy of key cities and the economy of counties to promote and coordinate each other's development.

**We must do more planned parenthood, land administration, and environmental protection work.** We must carefully carry out the "China Planned Parenthood Work Outline," emphasize better planned parenthood control over the floating population in rural villages and in cities and towns, and ensure the natural rate of increase in the province's population is held within plan goals. We must uniformly administer land according to law, normalize land markets, improve land use plan management, strictly control the amount of land used for construction, and firmly examine all land approvals that exceed authority and illegal takeovers and use of land. In addition, we must actively reclaim land for vigorous development of reserve land resources. We must do more in the way of comprehensive regulation of the city and countryside environment according to law, particularly joint regulation that cuts across regions in accordance with the need to satisfy the demands of synchronous planning, implementation, and development in

building the economy, cities and the countryside, and the environment. We must do more to control industrial waste water, gases, and residues, conscientiously protect river water quality, clean up seriously polluting enterprises within a certain period, and strive to promote the coordinated development of the economy and society.

### **III. Active Promotion of Reform and Opening to the Outside World To Accelerate the Founding of the Socialist Market Economy System.**

The emphasis of reform is to straighten out enterprises, particularly state-owned ones by organically tying together system reform, organizational reform, and transformation. Additionally, we are concerned with the associated promotion of social security system reform, fostering of a market system, and further intensification and perfection of macroeconomic control system reform.

Along with continued thorough implementation of "Regulations on the Transformation of the Operating Mechanisms of Industrial Enterprises Under Ownership of the Whole People," which puts into effect the various decision-making authorities of enterprises, we must move ahead with complete enterprise reform level by level, including the clarification of equity rights, the spelling out of rights and responsibilities, the separation of government administration and enterprise management, and management science required. We must concentrate on companies that are already performing to standards, continuing to emphasize the selection of some basic and mainstay industrial enterprises for reorganization and transformation as limited liability companies or stock limited liability corporations. We must select 100 large and medium-sized mainstay enterprise for setting up a modern enterprise system pilot project. We must found conglomerates in a planned way as part of the strategic readjustment of the economic structure. We must continue active and steady promotion of the share cooperative system in medium-sized and small collective enterprises in cities and the countryside and in small state-owned enterprises. Enterprises losing small amounts should be converted to different production, merged, leased, or sold. Enterprises that have been losing money for a long time and for which there is no hope of reversing losses must be auctioned off or placed in bankruptcy. Money recovered from enterprise equity system reform, particularly for township and town enterprises, must be used primarily for technical transformation and for changes in product mix.

We must accelerate advances in reform of the state-owned assets management system and set up a state-owned assets administrative responsibility system and a



system for checking on the maintenance and addition to the value of state assets. We must use a complete inventory and audit of state-owned enterprises as a basis for determining which industrial sections shall conduct pilot projects on the founding of state-owned assets administrative companies. Various conglomerates must be selected for the running of pilot projects on state-owned assets authorization administration. Pilot projects on debt clearance and reorganization should be run in a planned way in state-owned enterprises to study the problem of how to solve excessive enterprises burdens.

While maintaining the dominance of public ownership, we must continue to encourage development of the individually and privately owned economy. We must perfect a climate of fair competition by helping the privately owned economy solve real difficulties in obtaining credit, the use of land, and electricity supplies. We must improve needed guidance and control to promote healthy development of the individually and privately owned economy.

We must actively reform the social security system, expand old age insurance coverage, widen sources of funds, regularize the percentage of withholdings for the social security fund and the methods for figuring disbursements, and support all jurisdictions in the use of many ways to speed up the running of pilot projects on socially integrated old age insurance. We must actively move ahead with unemployment and disability insurance. We must perfect the labor insurance and public medical care systems and gradually instituting overall medical insurance for major staff member and worker medical expenses. We must thoroughly reform the housing system, promote a public accumulation fund system for housing, steadily sell off public housing, and accelerate construction of low-cost housing to steadily improve housing conditions for the public in both cities and the countryside.

We must continue to nurture and develop the market system. We must use perfection of planning and the location of markets to promote commodity markets, particularly to expand the amount of business of means of production wholesale markets, improve supervision and control of the quality of goods sold in markets, improve business methods, and increase the area that markets serve. We must shift the focus of market building to the fostering of production elements markets. We must perfect financial markets, further regularize interbank short-term lending markets, perfect the interbank foreign exchange market, and expand securities market coverage. We must set up manpower markets and perfect the service system including employment agencies, employment training, and labor arbitration. We must hasten establishment of a two-way employing unit and

worker choice and rational flow employment mechanisms. We must speed up the development of human resources markets, do a good job of operating exchange centers and markets at the provincial level and in all jurisdictions of technology, perfect information and exchange networks, improve service functions, protect intellectual property rights, and promote the transfer of technical achievements. We must conduct equity exchange in a planned way, operate pilot projects for the transfer of the stock ownership rights of nonlisted companies, and create conditions for the development of futures markets. We must continue to develop real estate and information markets. We must set up and perfect market interface organizations and make fullest use of their service, contacting, authentication, and supervisory roles in market development.

We must further perfect reform of macroeconomic control systems, including the fiscal, finance and banking, and investment systems. We must establish and perfect tax collection control and tax auditing systems that are in keeping with the new taxation system. We must improve the understanding of the public at large about paying taxes, collect taxes strictly according to law, place particular emphasis on collection of the individual income tax, and crack down hard on all sorts of tax cheating, evasion, and fraud. We must support the People's Bank in its diligent rectification of the finance and banking order and improve finance and banking oversight. We must support all the specialized banks in carrying out assets and liabilities ratio control. We must perfect urban and rural credit cooperative reform and actively and steadfastly develop urban cooperative banks. Ningbo and Hangzhou must speed up founding of foreign-owned or Sino-foreign joint venture financial institutions. We must continue to get national and regional commercial banks and nonbanking financial institutions to set up branches and subbranches in Zhejiang Province. We must further define and clarify the purview of government investment, move the investment of ordinary processing industries and competitive industries to the market, clarify investment entities, normalize investment behavior, and improve returns on investment.

**We must continue to widen opening inside the country and to the outside world, energetically develop an open economy, and promote such development to a higher level, to a broader domain, and in greater depth.**

In the opening of the country and to the outside world, not only must we continue to make full use of the open coastal cities of Ningbo and Wenzhou, and of the leading role of Hangzhou as an international tourism city, but we must focus attention during 1995 on two

matters: One matter is good operation of both national and provincial development zones. We must improve the infrastructure of development zones, perfect the investment climate, and do a good job of running a number of upscale, superior quality projects. We must use the building of development zones as a means of promoting greater opening of coastal areas and a further speed up in the pace of opening up central and western areas of China. The second matter is doing a good job in responding to the development and opening of Pudong. We must guide and organize all jurisdictions, as well as multiple and varied enterprise channels, to take part in Pudong's development, taking the lead in doing more to join up with the industrial readjustment and development of Shanghai and the entire Chang Jiang basin.

We must actively develop foreign imports. We must continue to carry out a strategy of winning markets with quality and market diversification. We must perfect the export foreign exchange earning pattern by exporting large quantities through many channels and constantly optimizing the make-up of exports. We must diligently work on the integration of trade, industry, agriculture, and technology. We must select a number of foreign trade and production enterprises having requisite conditions for the acceleration of their development into industries, conglomerates, and international players by raising the scale of operation. We must employ export-goods "turnkey plans" with emphasis going to support for principal commodities having an export value of more than \$20 million for the setting up of stable export commodity production bases. We must actively and steadily develop marketing agencies abroad in the expansion of our international market-oriented sales network. We must set up and perfect a foreign trade development risk fund system, do a good job of export tax rebates, promptly assemble imports, and steadily improve the competitiveness of the province's exports in international markets.

We must accelerate the use of foreign capital. We must better link the importation of foreign capital with readjustment of the industrial structure and the product mix and improvement of the level of technology and management. We must steadily augment project reserves as the province's industrial policy requires by proposing a number of infrastructure, basic industry, high and new technology, and foreign exchange earning agricultural projects, and do more to attract foreign firms through numerous channels and numerous means, particularly to attract large financial groups and large enterprises. We must expand the indirect use of foreign capital and work actively to obtain loans from international financial organizations, foreign governments, and funds. We must

continue major efforts to support enterprises, especially enterprises making good returns, and to attract foreign capital for grafting and transforming enterprises. We must simplify examination and approval procedures for foreign firm investment in the building of enterprises, perfect the external production climate, and protect the legal rights and interests of foreign firms. In addition, we must exercise greater control according to law over enterprises in which foreign firms have invested, and strive to increase the placement rate for foreign firm investment of money in enterprises, the rate at which enterprises go into production, the export foreign exchange earnings rate, and the rate of profit and taxes from capital.

We must develop widespread economic and technical exchanges and cooperation, actively develop international project contracting and labor services cooperation, and project contracting which serves to spur the export of labor services, technology, processed materials, and electromechanical products. We must support enterprises having the requisite conditions for operation of enterprises outside the country in doing transnational business. We must expand the importation of foreign technology and intellectual properties and do a good job of absorbing and assimilating imported technology. We must develop tourism resources, open up more tourist attractions, develop tourist products, and make a major effort to develop international tourism. We must closely link development of foreign friendly intercourse with foreign economic relations and trade; emphasize benefits from these activities; and continue to make use of the important role of compatriots in Taiwan, Hong Kong, and Macao, and overseas Chinese, and of provincial agencies stationed abroad in the opening to the outside world. At the same time, we must improve contacts with central government departments and conduct diverse mutually beneficial and mutually profitable economic cooperation with fraternal provinces and cities.

#### **IV. Conscientiously Do More To Build Socialist Spiritual Civilization and a Democratic Legal System, and Actively Develop Various Social Endeavors Such as Education in Science and Technology**

Socialist modernization requires adherence throughout to a policy of working at multiple tasks at the same time, working with might and main, vigorously building socialist spiritual civilization and a democratic legal system, giving priority to the development of science and technology and education, and promoting overall social progress.

**We must earnestly put into practice the "Outline For Building Socialist Spiritual Civilization in Zhe-**

jiang Province." We must maintain the use of scientific theories to arm people, correct public opinion to guide people, noble spirits to mold people, and outstanding artistic works to encourage people. We must organize the cadre rank and file, particularly leading cadres, to study thoroughly the "Selected Works of Deng Xiaoping," and to combine this study with the intensification of reform, the widening of the opening to the outside world, and the development of a socialist market economy. They must thoroughly carry out the "Outline for the Implementation of Patriotic Education," actively conduct activities in commemoration of the fiftieth anniversary of victory in the war of resistance to Japan, publicize 100 progressive model personages, and build 100 patriotic education bases. They must conduct indoctrination in many different forms in cities and the countryside on patriotism, socialism, collectivism, and an innovative spirit in the new era. They must bolster the fine social ethics of vocational standards, promote premium services, champion compliance with regulations, respect the old and cherish the young, fight bravely for just causes, and ceaselessly raise the level of professional morality and social mores. They must continue to involve themselves widely in the conduct of activities concerned with the building of mass spiritual civilization, including the founding of civilization units and joint military, police, and civilian activities, emphasizing competition in founding civilized cities and "comfortably well off civilization model villages." They must constantly augment the substance of these activities, improve the ways they are conducted, and actively foster new socialist persons having ideals, morality, education, and discipline. They must do a good job of changing old habits and customs and champion a scientific, cultured, healthy, and beneficial life style. They must continue to promote reform of the funeral and internment system and halt unhealthy tendencies such as feudal superstition, gambling, and the fostering of local religious forces.

**We must stimulate the further orientation of scientific and technical work toward building the economy with economic development further shifting to the path of reliance on scientific and technical progress.** In connection with the need to improve the quality of economic growth, we must concentrate forces on doing more to develop premium product, high-yield, and high-return agriculture, to transform traditional industries, to operate new and high technology industries, and to do reasearch and development on key technologies for the exploitation of marine resources. During 1995, 10 large key projects and 100 important projects will be newly inaugurated, including the breeding of premium quality early indica rice varieties and development of a computer integrated control system. In addition, a begin-

ning will be made on drawing up a provincewide, high-technology industry development plan. We will increase the science and technology promotion corps to increase the spread of scientific and technical achievements. We must forge more links with institutions of higher education, research units, and enterprises, and accelerate the translation of research achievements into real productivity. We must diligently put into effect a policy of "steadying one end while deregulating an expanse" [wen zhu yi tou fang kai yi pian 4489 0145 0001 7333 2397 7030 0001 3651]. We must intensify reform of scientific research institutes by making rational readjustments to their structure and supporting those having requisite conditions in continuing to develop in the direction of an integration of scientific research, production, and business. We must help enterprises perfect their technological progress mechanisms and increase innate enterprise motivation for developing, absorbing, and applying new technology. We must conduct widespread mass technical innovation and sensible recommendation campaigns. While constantly increasing the province's natural sciences fund, we must set up a provincial young people's natural science fund to emphasize the nurturing of a number of scientific and technical experts and leaders in their chosen fields of learning. We must import more human resources and promote the rational flow of human resources. We must widely publicize and vigorously popularize scientific and technical knowledge. We must develop the social sciences by thoroughly studying prominent problems in economic and social development to serve modernization.

**We must thoroughly reform education to train qualified human talent for socialist modernization that is fully developed morally, intellectually, and physically with emphasis being placed on the development of basic education, vocational and technical education, optimizing education in institutions of higher education, enhancing and improving school moral education work, and fully implementing the "Outline for the Reform and Development of Chinese Education."** We must build on consolidation of achievements in the nine year compulsory education system to focus on its spread to hardship areas. We must organize all government agencies at the provincial level, all economically developed cities and counties, and large and medium-sized enterprises to help needy townships and towns develop compulsory education. We must make nine years of education compulsory throughout the province and basically eradicate illiteracy among young, able-bodied people. We must actively guide and support every jurisdictions in the use of their own resources and industrial strengths for vigorous development of vocational and technical, adult, and radio and television education, and to enhance vocational training and continuing education



in an effort to train more practical human talent for economic and social development. We must make further adjustments to the pattern of higher education, optimize its structure, promote joint school operation, and concentrate energies on the operation of a number of major colleges and major fields of learning. We must actively and steadily move ahead with reform of student enrollment, fee collection, and the graduate employment system of colleges, secondary schools, and vocational schools of all kinds above the secondary school level, and establish and perfect scholarship and student loan systems. We must lessen the excessive after-school burdens of middle and primary school students. We must strive to increase investment in education. While ensuring a steady increase in government investment in education, we must collect and put to good use city and countryside educational fee surcharges. We must actively guide and encourage entrepreneurial units and other social forces to run schools cooperatively according to law and to subscribe money to assist education. We must largely complete destruction of the old middle and primary school dormitory system. We must do a good job of teacher education, increase the set ratio of teacher college enrollments, and set up a service period system for teacher college graduates. We must increase on-the-job teacher training and steadily improve the political and professional caliber of teachers. We must enforce the "Teacher Law," firmly protect the legal rights and interests of teachers, and encourage a fine ethic of respect for teachers and for education. We must improve the working and living conditions of teachers and ensure that teachers wages are paid on time and that they receive all benefits, such as medical treatment. We must raise money through various channels, make every level bear responsibility, and hasten the building of teacher housing. The province is to pay 100 million yuan in installments, and it is planned that before 1997 the housing difficulties of young, permanent teachers in institutions of higher education will be solved.

**We must actively develop cultural, radio and television, health, and physical education endeavors.** We must adhere to an orientation of serving the people and socialism and to a policy of letting a hundred flowers blossom and a hundred schools of thought contend, bending efforts to make cultural endeavors prosper that are distinctively Chinese and that have a local flavor. We must support and help the rank and file of literary and artistic workers plumb reality, become involved with life, and create more outstanding works that reflect the character of the times, make people strive to get ahead, and that the public likes. We must do more to build community, enterprise, and especially rural culture. We must conduct rich and varied mass cultural activities. We must actively conduct 10,000-li-border-

cultural-corridor and Zhejiang-jewel-of-the-East-China-Sea, projects, become involved in cultural system reform, readjust and perfect the cultural troupe setup for the gradual shaping of a new pattern in which the government invests most and society jointly operates cultural activities. We must better control cultural business activities including books and magazines, films, television, sound, and video recordings, singing halls, and dance halls, become thoroughly involved in the battle to "eradicate pornography," and crack down on criminal elements. We must stimulate the healthy development of cultural markets, do a truly good job of radio and television broadcasting and news publishing work, and build a Zhejiang educational television station. We must actively develop cultural relic and archival activities.

We must adhere to a policy of prevention first, intensify medical institution internal reforms, and perfect the medical treatment and health care network, use both Chinese and Western medicine, and genuinely increase prevention and control of endemic diseases, vocational illnesses, contagious diseases, and all common illnesses. We must completely eradicate schistosomiasis throughout the province. We must conduct widespread patriotic health campaigns, and improve supervision and control of pharmaceuticals, foods, and public health as the law requires. We must emphasize basic health care work in rural villages, improve the rural cooperative medical treatment and health care system, improve water quality and lavatories, and steadily improve rural hygiene and the availability of medical advice. We must organically combine athletics and mass physical education, devote close attention to carrying out physical fitness plans for all, conduct physical education activities of various kinds, and continue to socialize, give more substance to, and better structure physical education activities. We must actively develop activities for the aged, women, children, and the handicapped, do a solid job of solving various real difficulties in this work, and ensure the rights and interests of the aged, women, children, and the handicapped as the law requires. We must work hard at organizing the various activities in Zhejiang Province of the Fourth World Women's Conference.

We must continue to pay close attention to social development projects including the building of a new Zhejiang library, of the ZHEJIANG RIBAO news building, and a provincial old folks activities center. We must do all the preparatory work for the yellow dragon physical education center.

**We must devote close attention to the three key links, namely perfecting a democratic supervisory system, completing democratic and scientific decision making procedures, and improving the building of**

grass-roots organizations. We must promptly report on work to the provincial people's congress and its standing committee and willingly accept their supervision. We must conscientiously carry out the resolutions and decisions of the provincial people's congress and its standing committee and accept the provincial people's congress standing committee and provincial people's congress evaluations of the administrative law enforcement work of government departments. We must forge close ties with the CPPCC, democratic parties, and the Association of Industry and Commerce, and use to the full the political consultation and democratic supervisory roles of these bodies. Over time, we must regularize and systematize political consultation, democratic supervision, and participation in the administration and discussion of state affairs. We must further improve our response to provincial people's congress and CPPCC suggestions, views, and motions. We must make an active effort to open democratic channels for the widespread solicitation of views from all walks of life on serious issues. We must make government decisionmaking more democratic and more scientific.

In addition, we must provide energetic support to the activities of mass organizations such as trade unions, the Young Communist League and the women's association, conscientiously handle mail and personal visits, and further cement relations with the masses. We must do more to build grass-roots organizations, the emphasis going to village organizations. We must augment and strengthen rural leadership teams and help village organizations strengthen the collective economy. We must strive to increase the cohesion and combat capacities of village organizations. We must completely and correctly enforce the party's nationalities policies, support nationality areas in accelerating economic and social development, and strive to improve the life of the masses in nationality areas. We must protect the freedom of religion, manage religious affairs according to law, and crack down firmly on the use of religion to conduct activities in violation of the law. We must actively guide the adaptation of religion to socialist society. We must continue to do a good job in foreign and overseas Chinese affairs. We must conscientiously abide by Comrade Jiang Zemin's eight proposals for promoting progress in the peaceful unification of the motherland. We must make full use of the province's favorable conditions for work on Taiwan and actively promote economic cooperation, science and technology, and cultural exchanges between Zhejiang and Taiwan to make a contribution to the peaceful unification of the motherland.

We must further improve government legal system work to meet needs in developing a socialist market economy. We must continue to accelerate administrative legislation by focusing on the establishment and perfection of market mechanisms, improvement of macroeconomic controls, and maintenance of social stability. We must put major emphasis on administrative law enforcement. We must augment law enforcement forces, tighten law enforcement control, and resolutely reverse the situation of weakness and lack of strictness in law enforcement. We must increase supervision and examination of the administrative law enforcement corps and administrative law enforcement, making sure to prevent and pay close attention to the correction of conduct such as administration in violation of the law and dereliction of duty in law enforcement. We must do a thorough job of publicizing the law and providing indoctrination in it. We must do a good job of "two five" law familiarization. We must make a major effort to improve the concept of the law throughout society, particularly among leading cadres and law enforcement personnel. We must be willing to study, use, and rely on the law for administration.

We must do a good job of stabilizing society by increasing overall control over social order. We must thoroughly understand the mood of society and the views of the people and all social hot spot problems at once, improve ideological and political work, pay attention to allaying public feelings, dissolve conflicts, and skillfully solve various glaring problems. We must improve basic control work with regard to the floating population, transportation, and firefighting, eliminate all hidden dangers, and strive to maintain the normal order in production and daily life. We must put in place a comprehensive control responsibility system for public order at every level and increase the responsibility of principle leaders at all levels of government for maintaining tranquility. We must continue to crack down hard on gang crimes, highway robbers, people who kidnap women and children for sale, and all criminal activities that impair national security. We must eradicate social ills such as prostitution, and punish economic crimes such as graft and theft, the offering and taking of bribes, smuggling, and trafficking in smuggled goods. We must concentrate on fixing the rural social order system, combine crackdowns with prevention, and treat both manifestations and root causes to spur a rapid turn around in the rural social order situation.

We must actively support the PLA and People's Armed Police units in improving their modernization. We must conduct widespread national defense education to increase national defense understanding throughout society, particularly among leading cadres

at all levels. We must protect military facilities according to law, improve border, coastal, and personal defense, and do more to build up the militia and reserves. We must conscientiously perform military conscription duties. We must do a good job of arranging jobs and a place to live for discharged military personnel who have returned to civilian life and cadres who have left or retired from the armed forces and their dependents, and apply policies to care for disabled servicemen and the families of revolutionary martyrs and servicemen. We must support the army and give preferential treatment to the families of army men and martyrs, support the government and cherish the people, conduct campaigns to found "twin-support model cities," and "twin-support model counties" in the further consolidation and development of unity between the army and the government and the army and the people.

#### **V. Transform Government Functions and Genuinely Improving Government's Self Building**

**We must accelerate government agency reform, transform government functions further.** During the coming year, we must complete reform of provincial-, city-, and prefecture-level government agencies, substantially completing the reform of city and county level agencies. In the course of agency reform, we must bolster macroeconomic regulation and control and supervisory organs, make social control organs stronger, and convert some economic control organs in which conditions are ripe into economic entities. While simplifying the internal structure and cutting the number of personnel in agencies, we must retain economic control organs whose industrial control tasks are heavy and that hold an important position in the development of the provincial economy. However, these agencies will no longer control enterprises directly. The number of provincial working agencies will be reduced from 67 to 45, and an additional 10 commissions and departmental-control agencies will be set up. Following agency reform, the governments main functions in controlling the economy will be good macroeconomic regulation and control, improving the infrastructure, fostering a market system, regulating social distribution, controlling the population increase, and protecting the ecological environment. Government agency reform has a wide effect and strong policy overtones; thus, we must truly strengthen leadership. We must conscientiously define the functions, organization, and staffing of administrative organs at all levels. We must do thorough and painstaking ideological and political work. We must do a skillful job of dispersing personnel and resettling them in other jobs. We must help economic control organs make a smooth conversion to economic entities. Completion of agency

reform can serve as a basis for a national civil servant system.

**We must firmly inculcate the ideology of wholeheartedly serving the people and steadily foster a work style of pragmatism and high effectiveness.** In the course of government work, we must persevere in the seeking of truth in facts and following the mass line. Right now, emphasis must be on solving problems in three regards, as follows: The first is solution to the "superficiality" problem. We must wage a battle against formalism and bureaucratism. We must maintain and perfect the investigation and study system with principal leaders taking the lead in organizing cadres to delve deep, study new situations, and solve new problems. We must better supervise and advance checks and overall coordination, each level keeping a tight rein on the next lower level to ensure that all work is done thoroughly. The second is solution to the problem of lack of work responsibility. We must set up a clear-cut work responsibility system, exercise strict control within government agencies and firmly restrain and correct lame excuses, stonewalling, passing the buck, mutual recriminations, foot dragging, and misuse of authority. We must strive to improve work efficiency. The third is solution to the departmentalism problem. We must stress that parochial interests must be subordinate to the overall interests and that near-term interests must be subordinate to long-term interests. We must strictly enforce regulations and rigorously investigate all instances of failure to carry out orders or failure to halt proscribed actions to ensure that government orders are followed.

**We must energetically buttress the building of clean government by firmly battling all corrupt practices.** This is an important matter having life or death, survive or perish significance for the party and the country. We must continue to devote serious attention to the honesty and self-discipline of leading cadres at the county department level and above. In addition, we must place corresponding demands on civil servants at the township-section level and above and on leading personnel in state-owned enterprises and entrepreneurial units and rigorously supervise and examine them. Leaders at all levels must assume full responsibility for fighting corruption and building clean government in their own district, department, or unit. We must intensify the investigation and punishment of big and major cases with emphasis being placed on the investigation and punishment of leading cadres as well as cases involving misuse of authority for private gain, graft, and bribe taking. We must investigate and punish favoritism and the commission of irregularities among personnel responsible for enforcing the law and discipline and the perversion of justice for bribes, as well as cases involving violations



of the law and discipline by juridical entities. Corrupt people who violate the law and disregard discipline, no matter who, must be firmly held accountable according to the law. They positively may not be accorded leniency. Those who resort to trickery or commit derelictions of duty, thereby creating serious losses for the country and the people, shall also be severely punished according to law. We must do more in the way of rectifying mores and curing disorder, gradually establish a vocational-style evaluation system, and concentrate energies on cleaning up unhealthy tendencies about which the public has a strong reaction. We must rigorously enforce administrative supervision, set up and perfect a lean and honest government system, and strive to guard against and eliminate corruption institutionally.

Drawing up the Ninth Five-Year Plan and a plan draft extending to 2010 is a major task during 1995. We will diligently summarize experiences and lessons in reform and opening to the outside world, particularly since the Eighth Five-Year Plan; analyze the trend

of developments at home and abroad; do thorough investigation and study; solicit a wide spectrum of views; draw on collective wisdom; and further intensify and perfect strategic approaches for the provincial economic and social development. We must strive to formulate plans and plan drafts that are both in keeping with reality and very forward looking and guiding.

Delegates, the tasks we face in 1995 are extremely strenuous. The people throughout the province pin very great hopes on our work. We positively cannot disappoint the hopes of the people, nor will be disappoint the hopes of the people. Let us unite more closely around the party central committee of which Comrade Jiang Zemin is the nucleus. Under leadership of the Zhejiang Provincial CPC Committee, let us rely closely on the people throughout the province, be of one heart and one mind, be firm and indomitable, pioneer and move ahead, and strive to complete fully all tasks in 1995.

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